



# NCA

National Crime Agency

## **Suspicious Activity Reports (SARs)** Annual Report 2017





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# Statement by the Chair of the SARs Regime Committee

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I am pleased to present the Suspicious Activity Reports (SARs) Annual Report for 2017. This covers a longer time period than previous reports, spanning the 18 months between October 2015 and March 2017 inclusive. With the number of requests the UK Financial Intelligence Unit (UKFIU) receives for comparative statistics, the SARs Regime Committee decided in March 2016 to attempt to harmonise the SAR reporting period with the financial year. Future SAR Annual Reports will cover the April to March period.

The UKFIU has continued to experience a yearly increase in the number of SARs received, as well as a huge growth in the number of cases where a defence against money laundering (DAML) has been requested. In fact, March 2017 saw the highest number received on record for both. The UKFIU introduced the term 'DAML' as it had found that the term 'consent' was being frequently misinterpreted by reporters. The term 'DAML' is aimed at educating reporters and improving submissions by clarifying what the UKFIU can/cannot grant. The report also for the first time includes the number of requests for a defence against terrorism financing (DATF).

In order to successfully manage the receipt and processing of the increasing volume of SARs, the UKFIU has realigned its resources and structure. There is greater emphasis on placing more resources in critical areas, thereby improving the performance in critical functions.

In April 2016 the Government published its Action Plan for Anti-Money Laundering and Counter-Terrorist Finance sending a clear message that the UK will not stand for money laundering or the funding of terrorism through UK institutions. The Action Plan includes a commitment to reform the SARs regime, making the necessary legislative, operational and technical changes. Recognising that the SARs regime is crucial to both the UK's Serious Organised Crime Strategy and to the NCA's transformation ambitions as they apply to anti-money laundering, the NCA and Home Office have established a joint SARs Reform Programme to deliver more fundamental changes to the regime.

Parliament has also put the Criminal Finances Act on the statute book, something that the UKFIU has been closely involved in. Key provisions that will impact on the SARs regime include: extending the moratorium period; the power of the UKFIU to request additional information from reporting entities; and information sharing of money laundering/terrorist financing information within the private sector.

The UKFIU has also been extensively supporting the Treasury and the Home Office in preparing for the upcoming mutual evaluation assessment of the UK by the Financial Action Task Force (FATF). The UK is expected to report to the FATF in September 2017, with assessors visiting in early 2018. This is a very important piece of work for the UK Government and will involve engagement across the regulated sector.

Reading through this report it is abundantly clear that the SARs regime is vital in tackling many sorts of criminality, not just money laundering and terrorist financing, and these can include: fraud against vulnerable people; tax offences; and corruption. SARs provide valuable information and intelligence from the private sector that would otherwise not be visible to law enforcement. Some SARs provide immediate opportunities to stop crime and arrest offenders; others help uncover potential criminality that needs to be investigated, while others provide intelligence useful in the future. All contribute to the UK's strategic assessment of the threat from criminality.



**Donald Toon**

Director, National Crime Agency  
*Chair of the SARs Regime Committee*

## Part one: key statistics

The overall number of SARs received by the UKFIU over the 18 month period of October 2015 to March 2017 inclusive was 634,113.<sup>1</sup> The 43,290 received in March 2017 was the most SARs ever recorded for one month and was 7,406 more than the previous

March. Compared with reporting periods of previous SARs Annual Reports, the UKFIU received 419,451 SARs between October 2015 and September 2016, an increase of 9.84% on the same period for 2014–15 (381,882).

Figures i – ii: Key statistics for the SARs Regime

Key statistics	October 2015 to March 2017
Total SARs	634,113
DAML SARs	27,471
DATF SARs	422
DAML SARs refused (and %)	1,558 (5.67%)
DATF SARs refused (and %)	29 (6.87)
Breaches of confidentiality	3

Key statistics	October 2015 to September 2016	October 2014 to September 2015
Total SARs	419,451	381,882
DAML SARs	17,909	14,465
DATF SARs	289	207
DAML SARs refused (and %)	1,242 (6.94%)	1,356 (9.37%)
DATF SARs refused (and %)	19 (6.57%)	18 (8.70)
Breaches of confidentiality	2	3

<sup>1</sup> A SAR is a piece of information which alerts law enforcement that certain client or customer activity is in some way suspicious and might indicate money laundering or terrorist financing.

There has been a huge increase in the number of defence against money laundering (DAML) requests.<sup>2</sup>

The total over 18 months was 27,893; however, compared to the previous SARs Annual Report, there has been an increase of 24.03% from 14,672 in 2014-15 to 18,198 between October 2015 and September 2016. Figures i-ii further break down all

terrorism-related requests for a defence submitted under the Terrorism Act 2000 or the Proceeds of Crime Act 2002.

The continuing growth of SARs, and the impact this subsequently places on UKFIU resources, can be seen in the following graphs which chart the rise over the past decade.

Figure iii: Total number of SARs over past 10 years

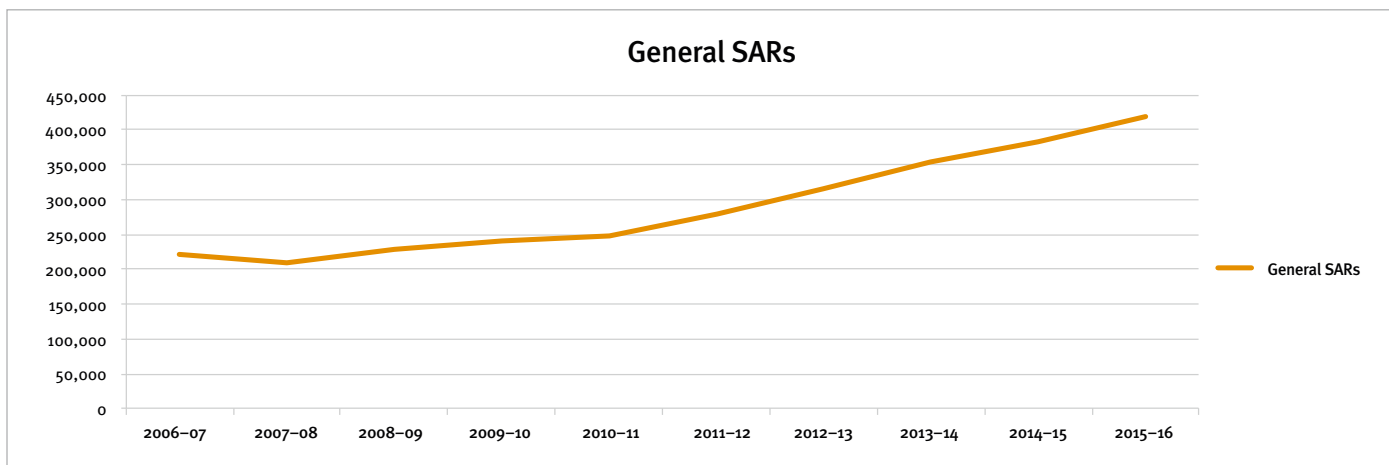
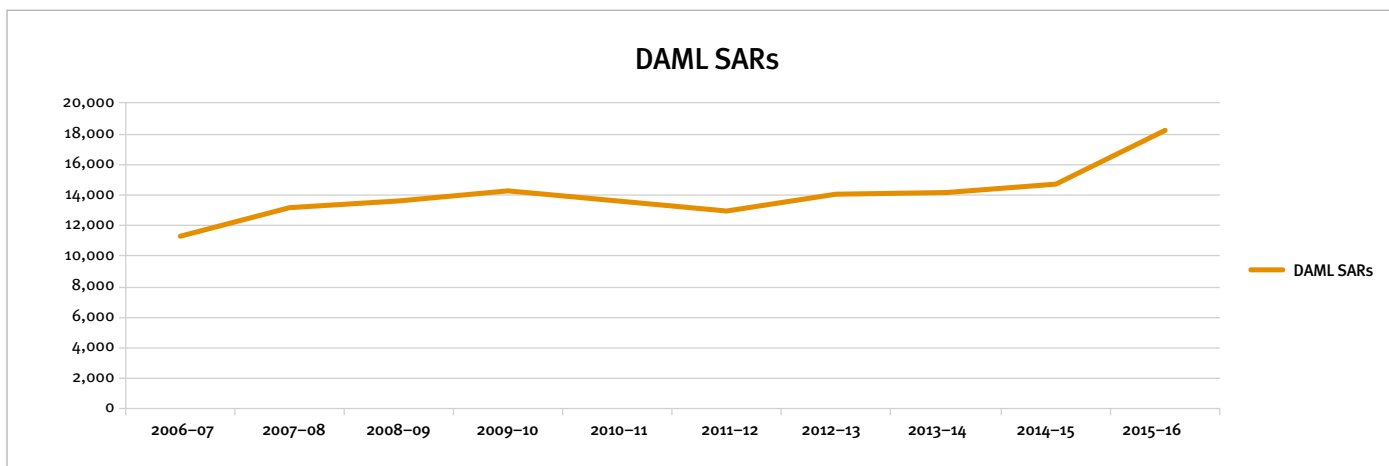


Figure iv: Total number of DAML SARs over past 10 years



<sup>2</sup> DAML SARs – referred to as ‘consent SARs’ in previous SARs Annual Reports.

## DAML requests

The total amount of assets denied to criminals as a result of DAML requests (refused and granted) over the 18 month period was £56,541,579. In comparison to the 2014-15 figure of £46,375,449, the total for 2015-16 was £33,433,271, a decrease of 27.91%. The total restrained over 2015-16 as a result of refused DAML requests was £14,089,147, a considerable difference from the £43,079,328 for 2014-15. The

reason for the drop is because 2015's figures were skewed by two very large refusals, in the region of £10m and £9.2m.

However, the amount of cash seized from refused DAML requests for 2015-16 saw an increase of 1,127.09%, from £1,313,437 to £16,117,014. The reason for this was a cash detention/seizure of over £15m in 2016.

Figures v – vi: Outcomes of refused DAML requests

Interventions arising from refused DAML requests October 2015 to March 2017	
Restraint sums	£35,893,941
Cash seizure sums	£16,183,553
Funds indemnified by Her Majesty's Revenue & Customs (HMRC)	£51,039
Funds recovered by HMRC	£1,784,845
<b>Total</b>	<b>£53,913,378</b>
Cases with arrests recorded	36 (47 arrests)
Refusal rate for the period	7.10%

Interventions arising from refused DAML requests October 2015 to September 2016	
Restraint sums	£14,089,147
Cash seizure sums	£16,117,014
Funds indemnified by HMRC	£51,039
Funds recovered by HMRC	£1,272,854
<b>Total</b>	<b>£31,530,054</b>
Cases with arrests recorded	28 (39 arrests)
Refusal rate for the period	6.93%

The amount restrained in relation to DAML requests that were granted is recorded as significantly higher than 2014-15 (£99,137) with £692,350 for 2015-16. The

amount of assets denied to criminals when DAML requests were granted was higher at £1,903,217, compared to 2014-15's figure of £1,237,609.<sup>3</sup>

<sup>3</sup> There is no requirement for law enforcement agencies to inform the UKFIU of restraint, cash seizure or arrest figures as a result of granted DAML requests (only refusal) and these figures should be viewed as conservative amounts.



Figures **vii** – **viii**: Outcomes of granted DAML requests

Interventions arising from granted DAML requests October 2015 to March 2017	
Restraint sums	£840,535
Cash seizure sums	£1,787,666
<b>Total</b>	<b>£2,628,201</b>
Cases with arrests recorded	4 (4 arrests)

Interventions arising from granted DAML requests October 2015 to September 2016	
Restraint sums	£692,350
Cash seizure sums	£1,210,867
<b>Total</b>	<b>£1,903,217</b>
Cases with arrests recorded	2 (2 arrests)

The proportion of DAML requests which were refused initially for the reporting period was 1,980 (7.10% of all requests refused). Of these, 761 (38.43% of overall refusals) were subsequently granted in the moratorium period.<sup>4</sup>

## International

A significant amount of UKFIU work deals with international enquiries. The number of inbound requests for information was slightly down on 2014-15's figure (1,566 then, 1,387 for October 2015 to September 2016).

The number of intelligence requests made by the UKFIU of foreign FIUs on behalf of UK law enforcement dropped by 18.60% from 1,801 to 1,466.

It is always difficult to explain changes in the numbers of requests the UKFIU sends and receives

internationally as the UKFIU is dependent on requests submitted by UK and international partners.

However, the numbers received in the six months from September 2016 to March 2017 show a slight increase in both overseas requests submitted to the UKFIU and law enforcement requests out to overseas partners.

The number of requests received from 'Other work' increased significantly by 1,600% from 10 in 2014-15 to 170 in 2015-16 (there were also 125 in the six months from October 2016 to March 2017). 'Other work' refers to the number of requests the UKFIU received/sent which fall outside the usual inbound/outbound type requests. These usually refer to general questions on systems, regulations, legislation, etc. and are not counted as usual inbound requests.

<sup>4</sup> If a request for a defence against money laundering is refused within the 'notice period' (seven working days), law enforcement has a further 31 calendar days (the 'moratorium period') – from the day of refusal – to further the investigation into the reported matter and take further action e.g. restrain or seize funds. The 31 days includes weekends and public holidays. The reporter runs the risk of committing a money laundering offence if they proceed during the moratorium period whilst the request is still refused.

Figure ix: Information shared with and received from international FIUs (October 2015 to March 2017)

	Number of financial intelligence requests received	Number of financial intelligence requests made by UKFIU	Other work
Egmont network <sup>5</sup>	1,140	963	148
FIU.Net network (EU) <sup>6</sup>	678	802	51
ARO network <sup>7</sup>	248	454	3
CARIN network <sup>8</sup>	30	75	12
<b>Total</b>	<b>2,096</b>	<b>2,294</b>	<b>214</b>

Intelligence reports spontaneously received from overseas	1,956
Intelligence spontaneously disseminated (excluding Europol)	490
Intelligence spontaneously disseminated to Europol	218

Figure x: Information shared with and received from international FIUs (October 2015 to September 2016)

	Number of financial intelligence requests received	Number of financial intelligence requests made by UKFIU	Other work
Egmont network	725	606	68
FIU.Net network (EU)	460	520	24
ARO network	175	278	2
CARIN network	27	62	12
<b>Total</b>	<b>1,387</b>	<b>1,466</b>	<b>106</b>

Intelligence reports spontaneously received from overseas	1,428
Intelligence spontaneously disseminated (excluding Europol)	326
Intelligence spontaneously disseminated to Europol	174

<sup>5</sup> Egmont is the coordinating body for the international group of financial intelligence units (FIUs).

<sup>6</sup> FIU.Net is the secure network for the exchange of data between FIUs in the European Union (EU).

<sup>7</sup> The Asset Recovery Network (ARO) receives and processes requests from EU member states to assist in the tracing and identification of the proceeds of crime.

<sup>8</sup> The Camden Asset Recovery Inter-Agency Network (CARIN) is an informal network of international law enforcement and judicial contacts aimed at assisting criminal asset identification and recovery.

## Intelligence development

To ensure that the maximum value of SARs intelligence is exploited, the UKFIU screens and analyses SARs on a daily basis for opportunities to prevent and detect crime. Using specific key words, SARs are identified for potential fast-tracking to law enforcement agencies (LEAs), thereby assisting in providing quick time opportunities for intervention.

Through this process, incoming SARs detailing subjects who have been classed as potentially causing the most harm to the UK can be identified. Over the reporting period the UKFIU disseminated 513 SARs relating to NCA subjects of interest. There was a drop of 19.29% in relation to the 2014-15 figure of 420, with 339 SARs identified for 2015-16.

Through key word searching and analysis of the SAR glossary codes the UKFIU is also able to identify new SARs containing information on potential financial crimes that target vulnerable members of society.<sup>9</sup> These SARs are fast-tracked to law enforcement partners providing them with opportunities to act early, usually by offering advice to prevent further crime occurring or to thwart further losses. In this reporting period 3,424 vulnerable person intelligence packages were disseminated to LEAs. For 2014-15 the UKFIU had disseminated 915 vulnerable person intelligence packs; for 2015-16 this figure jumped by 119.45% to 2,008.

Over the 18 month reporting period the UKFIU also disseminated 1,955 SARs relating to politically exposed persons (PEPs) and 1,257 integrity SARs (SARs that relate to knowledge or suspicion of money laundering and/or terrorist financing that concerns an employee of an LEA or the civil service).<sup>10</sup> During 2014-15 the UKFIU disseminated 72 PEP SARs; for 2015-16 this jumped to 1,205 (an increase of 1573.61%). As this is the first time the UKFIU has included integrity SARs in the SARs Annual Report there are no previous figures available for comparison.

## Overall SAR reporting statistics

### Summary of SARs reporting by sector

As has been the case with previous SARs Annual Reports the banking sector remained the largest submitter of SARs, making up 82.85% of the total received. The second biggest contributor was 'financial institution – others', responsible for 3.73% of all SARs.<sup>11</sup>

The UKFIU makes no comment as to the relative volume of reports from different sectors. It is for the sectors and their supervisors to assess if the volume of SARs submitted is proportionate to the risks their sectors face.

<sup>9</sup> SAR glossary codes are used by reporters when submitting a SAR to quickly describe the reason they suspect money laundering.

<sup>10</sup> A PEP means an individual who is entrusted with prominent public functions, other than as a middle-ranking or more junior official.

<sup>11</sup> Sector is made up of a number of organisations including insurance, pension providers, stockbrokers, asset management and capital markets.

Figure xi: SARs submitted by all sectors October 2015 to March 2017

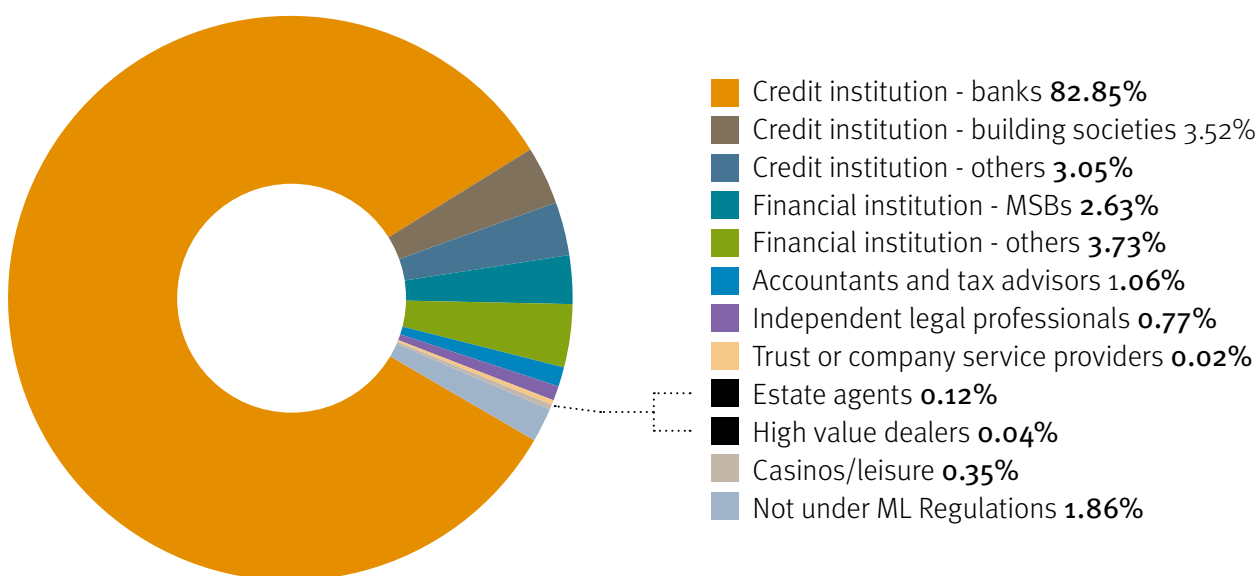


Figure xii: SARs submitted by all sectors October 2015 to March 2017

October 2015 to March 2017	Volumes	% of total
Credit institution – banks	525,361	82.85%
Credit institution – building societies	22,323	3.52%
Credit institution – others	19,326	3.05%
Financial institution – MSBs	16,704	2.63%
Financial institution – others	23,675	3.73%
Accountants and tax advisers	6,693	1.06%
Independent legal professionals	4,878	0.77%
Trust or company service providers	112	0.02%
Estate agents	766	0.12%
High value dealers	265	0.04%
Gaming (including casinos)/leisure (including some not under Money Laundering Regulations <sup>12</sup> )	2,223	0.35%
Not under Money Laundering Regulations (MLRs)	11,787	1.86%
<b>Total</b>	<b>634,113</b>	<b>100%</b>

<sup>12</sup> The MLRs place requirements on certain industry sectors (the ‘regulated sector’) to put in place internal policies and procedures to prevent and forestall money laundering and terrorist financing.

Figure **xiii**: SARs submitted by all sectors October 2015 to September 2016

October 2015 to September 2016	Volumes	% of total	% comparison to 2014-15
Credit institution – banks	348,688	83.13%	9.50%
Credit institution – building societies	15,078	3.59%	-4.61%
Credit institution – others	13,222	3.15%	11.79%
Financial institution – MSBs	10,091	2.41%	-9.25%
Financial institution – others	14,496	3.46%	112.08%
Accountants and tax advisers	4,254	1.01%	-7.88%
Independent legal professionals	3,447	0.82%	-9.93%
Trust or company service providers	74	0.02%	-26.73%
Estate agents	514	0.12%	44.79%
High value dealers	152	0.04%	12.59%
Gaming (including casinos)/leisure (including some not under MLRs)	1,564	0.37%	9.29%
Not under MLRs	7,871	1.88%	6.64%
<b>Total</b>	<b>419,451</b>	<b>100%</b>	<b>9.84%</b>

## Sector breakdowns

Compared to 2014-15, bank SARs increased by 9.50% (from 318,445 to 348,688). Over the full reporting period the sector submitted 525,361 SARs. ‘Financial institution – others’ was the second highest submitter with 23,675 SARs over 18 months. In comparison to the 2014-15 figure, the sector actually increased by 112.08% (from 6,835 to 14,496).

In 2014-15 building societies were the second largest submitter of SARs; for the equivalent period over 2015-16 this continued, although the number dropped by 4.61% (from 15,806 to 15,078). The overall total over the 18 months period (22,323) meant that building societies were the third largest submitter.

‘Credit institution – others’ continued to see an increase in SARs submitted, up 11.79% in 2015-16 (from 11,828 to 13,222).<sup>13</sup> Over the 18 month reporting period the sector submitted 19,326 SARs, 3.05% of the total.

Money service businesses (MSBs) were the fifth largest reporting sector over the 18 months with 16,704 SARs submitted. In comparison to the 2014-15 figure of 11,120, the sector saw a drop of 9.25% to 10,091 for 2015-16. SARs from money transmitters continued to drop, down 21.19% from 8,452 in 2014-15 to 6,661. Bureaux de change by contrast increased by 32.79% (from 2,382 to 3,163).

<sup>13</sup> The sector is made up of consumer credit, credit cards, credit unions, finance companies and mortgage providers.

Figures **xiv** – **xv**: SARs submitted by money service businesses

October 2015 to March 2017	Volumes	% of Total
Money transmission	10,461	62.63%
Bureau de change	5,552	33.24%
Cheque casher	691	4.14%
<b>Total</b>	<b>16,704</b>	<b>100%</b>

October 2015 to September 2016	Volumes	% of total	% comparison to 2014-15
Money transmission	6,661	66.01%	-21.19%
Bureau de change	3,163	31.34%	32.79%
Cheque casher	267	2.65%	-6.64%
<b>Total</b>	<b>10,091</b>	<b>100%</b>	<b>-9.25%</b>

Accountants and tax advisers submitted 6,693 SARs over the reporting period, 1.06% of the total received. In respect of the 2014-15 figure of 4,618, the sector saw a 7.88% drop to 4,254. Independent legal professionals contributed 0.77% (4,878) of the total number of SARs received over the 18 months. In comparison to the 2014-15 figure of 3,827, the sector saw a 9.93% drop to 3,447 in 2015-16.

The number of SARs received from casinos over this reporting period was 2,115. In comparison with the 2014-15 figure of 1,052, there was an increase of 38.40% to 1,456 for 2015-16. Working with both reporters and the Gambling Commission the UKFIU has participated in a number of workshops to improve knowledge around customer due diligence (CDD) and better quality SARs.<sup>14</sup> The UKFIU has seen a considerable improvement in SAR quality and understanding of the gaming/leisure sector’s obligations under the MLRs.

**14** A reporter is an individual or organisation that submits a SAR.

Figures **xvi** – **xvii**: SARs submitted by regulated and non-regulated gambling

October 2015 to March 2017	Volumes	% of total
Gaming/leisure	2,223	49.93%
Bookmaker	1,382	31.04%
Spread betting	847	19.03%
<b>Total</b>	<b>4,452</b>	<b>100%</b>

October 2015 to September 2016	Volumes	% of total	% comparison to 2014-15
Gaming/leisure	1,564	51.21%	9.29%
Bookmaker	851	27.87%	63.65%
Spread betting	639	20.92%	25.79%
<b>Total</b>	<b>3,054</b>	<b>100%</b>	<b>24.20%</b>

Estate agents submitted 766 SARs between October 2015 and March 2017. In contrast to the 2014-15 figure of 355, the sector saw an increase of 44.79% in 2015-16 with 514 SARs received. High value dealers submitted 265 SARs over the 18 months.<sup>15</sup> For 2015-16 the sector submitted 152 SARs, an increase of 12.59% on the 2014-15 figure of 135.

A total of 112 SARs was received from trust or company service providers over the full reporting period. In comparison to the 2014-15 figure of 101, this dropped by 26.73% in 2015-16 with 74 SARs submitted.

<sup>15</sup> For the SARs Annual Report period, high value dealers are regarded as any business which accepts cash payments of €15,000 or more (or equivalent in any currency) in a single transaction, or linked payments for a single transaction, in exchange for goods. The amount has since changed to €10,000 with the introduction of the MLRs 2017.

## Registrations and reporting routes

Reporters who submit the largest number of SARs use bulk data transfer which is better suited for the volume of SARs they deal with. The majority of other reporters use SAR Online, a secure web-based portal.<sup>16</sup> A small amount of SARs are still received on paper, although the UKFIU recommends against this as each requires additional UKFIU effort to manually input them resulting in delays to processing and inclusion on the SARs database. SAR Online is the recommended method for submissions.

## New reporters

There were 3,898 new SAR Online registrations during the period of 1 October 2015 to 31 March 2017. This includes registrations from 2,480 unique institutions (63.62% of all new registrations) that were entirely new to SAR Online.<sup>19</sup> The remaining registrations were from individuals already using the system.

Figure xviii: Methods of reporting SARs (October 2015 to March 2017)

	SAR Online	CSV file/encrypted bulk data <sup>17</sup>	Word/encrypted email	Paper	Total
<b>Total SARs</b>	108,886	522,826	243	2,158	634,113
<b>Total reporters</b>	5,754	21	1	633	6,341 <sup>18</sup>

<sup>16</sup> Upon registering, SAR Online can be used by anyone with internet access.

<sup>17</sup> The UKFIU provides 'Public Key Infrastructure' encryption certificates which allow high volume reporters to submit encrypted files directly onto the SARs database.

<sup>18</sup> This total figure is known as a 'distinct count' and represents those reporting entities who have reported via more than one method.

<sup>19</sup> New registrants are classified as unique institutions if they are not an outlet of an existing SAR Online user.



## Part two: main report

Part two of the report focuses on the UKFIU's contribution to the UK's response to money laundering, other serious and organised crime and terrorist financing across core functions and responsibilities.

### UKFIU restructure

The UKFIU has continued to experience a yearly increase in the number of SARs received. In order to successfully manage the receipt and processing of these and future SARs, the UKFIU has needed to realign its existing resources and structure. Throughout 2016 the UKFIU embarked on a period of restructure which 'went live' at the beginning of January 2017.

The new structure aims to provide greater resilience and provide an opportunity to surge resources in response to priority areas should it be needed, thereby improving the performance in critical functions. There is an emphasis on placing more resources in critical areas e.g. more trained staff dealing with DAML SARs and information exchanges with overseas FIUs.

Engagement with partners is managed and based on the practical experience of those who have the expert knowledge either from handling and processing the SARs, developing intelligence packages or through expertise developed from Information and Communications Technologies (ICT) knowledge of our systems.

### Defence against money laundering ('consent')

Submitting a SAR may provide a reporter with a statutory defence to a charge of money laundering or terrorist financing regarding a future transaction they are suspicious of. Requests for a defence refer to powers afforded to the NCA under the Proceeds of Crime Act 2002 (POCA) and the Terrorism Act 2000 (TACT) and form part of the wider SARs regime administered by the UKFIU.

The UKFIU grants or refuses requests for a defence and works in partnership with end users, the reporting sectors and international partners.<sup>20</sup> Typically, a request will be refused when a criminal investigation is under way or is initiated with a view to securing restraint of the assets through the courts. All terrorism-related requests for a defence are referred by the UKFIU's Terrorist Finance Team to the relevant law enforcement unit.<sup>21</sup>

In July 2016 the UKFIU reviewed its policy and operating procedures relating to requests for 'consent' under POCA and TACT in a bid to have the greatest impact against threats. The UKFIU had found that the term 'consent' was frequently misinterpreted; there were instances where reporters were seeking UKFIU permission to undertake certain transactions or activities without a full understanding of the provisions. Additionally, reporters sometimes sought 'consent' where they had been unable to complete CDD. The process is not a substitute for taking a risk based approach or for fulfilling reporters' regulatory and legal responsibilities, including those under the then current MLRs 2007. Such misinterpretation and

<sup>20</sup> An end user is a current or potential user of SARs such as an LEA or relevant government body.

<sup>21</sup> The statutory timescale for TACT is seven working days from the day after receipt of the request for the UKFIU to provide a response.

conduct risks undermining efforts to prevent money laundering and counter terrorist financing.

As such, as part of the new approach, the UKFIU has reduced the use of the term 'consent' and instead uses the terms 'defence against money laundering' or 'defence against terrorism financing'. This approach is intended to better reflect the provisions of the Acts, thereby improving submissions and positively impacting on the number of instances where the UKFIU requires further information from reporters to process their request for a defence to a money laundering offence.

The UKFIU makes it clear to reporters that a granted defence does not imply UKFIU approval of the proposed act, that it should not be taken as a statement that the property in question does or does not represent criminal property and that it does not absolve them of their professional duties of conduct or regulatory requirements.

Owing to the continued receipt of SARs often missing significant information the UKFIU has also set clearer timeframes for closing requests where missing information has been requested. This is intended to improve the use of resources throughout the 'notice period' and to increase time available to focus on quality SARs where there are more likely to be actions arising.<sup>22</sup>

The UKFIU has also introduced a more robust prioritisation process, enabling a faster turnaround time for allocation and decision making. These changes allow the UKFIU to focus law enforcement efforts on the most serious cases (including those

involving vulnerable individuals) and is a recognition of the position of reporters seeking to manage their relationships with customers.

In October 2016 the UKFIU also moved to communication with reporters predominantly in writing; this is to standardise the response and increase resource time to deal with cases.<sup>23</sup> The UKFIU's new approach was delivered to reporters in a communications product entitled 'Requesting a defence from the NCA under POCA and TACT', made available on the NCA website.

The UKFIU has received positive examples of how the new DAML process has been influencing reporter behaviour, in particular instances where, after the UKFIU has requested clarification as to the prohibited act, the reporter has acknowledged that they have misinterpreted the meaning of 'consent' and has withdrawn their DAML request. The ability to connect with reporters solely by email and providing additional guidance via appropriate UKFIU guidance documents has also gone some way to driving up the quality of subsequent requests for DAML from particular reporters.

A post implementation review of the new DAML process will take place. This will be a review of the changes and will include sector specific feedback on case numbers and statistics including: cases closed where reporters were asked for more information; cases where reporters needed more than one letter asking for more information; cases which were closed when the UKFIU didn't get a response; cases where the UKFIU sent a letter reminding the reporter of their responsibilities under the MLRs and where

**22** When the UKFIU's DAML Team grants or refuses requests for a defence against money laundering, legislation states that decisions must be made within seven working days (the 'notice period') from the day after receipt of the request.

**23** In certain cases the UKFIU will contact the reporter by telephone, but this is only with regard to certain specific issues.

the UKFIU could not make a decision because of a lack of 'know your customer'/CDD.

## Statistics

The main DAML statistics can be found on pages 8-9 of this report. Compared to the 2014-15 SARs Annual Report, the figures for DAML SARs have gone up considerably (24.03%) from 14,672 to 18,198 between October 2015 and September 2016. There has also been a notable increase in the complexity and length of SARs. This complexity has been driven by cases with international dimensions, with complicated money flows and structures involved, and the complexity of cases involving trade based money laundering (TBML) and high-end money laundering (HEML).<sup>24 25</sup>

The DAML Team has seen a monthly increase in the number of submissions; in March 2017 the number of DAML SARs went over the 2,000 mark (2,048) for the first time. It is feasible, in part, that this is due to better guidance from the UKFIU over this reporting period, with a heightening of reporter awareness of what is required of them.

As referenced in the last SARs Annual Report, the DAML Team are also now recording the total amount of funds which have been moved to a financial institution's internal fraud ledger, when the information is included in the DAML request. Over the 18 month reporting period £8,073,512 was denied to fraudsters, thereby protecting it for future claim by the victims of the crime. In contrast to the 2014-15 figure of £8,135,055, a total of £3,037,276 was protected for 2015-16. The reason for the drop is because in 2014-15 there were two particularly

large cases, one in excess of £2m and the other for over £3.4m.

## Turnaround of DAML requests

Over the 18 months 47.88% of DAML requests were dealt with without referral to law enforcement for a recommendation. In comparison to the 40.3% rate for 2014-15, 44.58% were dealt with for 2015-16 without referral. The average turnaround time for responses to reporters for all requests was 5.8 days. In relation to the 4.7 days reported for 2014-15, the corresponding period of October 2015 to September 2016 saw a turnaround of 6.2 days. A number of factors are suspected to be responsible for this increase including the huge growth in DAML SARs received by the DAML Team, the increase in complexity of DAML SARs and the quality of requests, mainly the non-inclusion of key pieces of information.

However, there has been a noticeable improvement in DAML turnaround times since the implementation of the new procedures in July 2016. In the quarter before the UKFIU reviewed its policy and operating procedures (April to June), the average turnaround time had been 5.00 days. With the changes bedding in during the quarter of July to September, the next three months (October to December) saw the turnaround time reduced to 4.16 days. This likewise continued into 2017, with January to March's figure being 4.68 days.

## Threshold variations

Deposit taking institutions which have concerns that an account may contain the proceeds of crime, or has been used for laundering money, may still have

<sup>24</sup> At its core, TBML relates to the use of the international trade system to obscure the origin of illicitly obtained funds.

<sup>25</sup> HEML, which is specialist, usually involves transactions of substantial value and involves abuse of the financial sector.

to process regular 'lifestyle' payments to and from that account e.g. mortgage payments, utility bills, etc. For a reporter to meet its POCA obligations they may determine that they should request a DAML every time such payments are due. This would result in a significant number of regular DAML requests.

Legislation permits deposit taking institutions discretion in relation to such payments, up to a threshold of £250 per transaction. If frequent transactions are over this threshold, the reporter can apply to the NCA for a Threshold Variation under POCA and seek permission to impose a higher threshold in the account for regular transactions. When seeking a variation the reporter needs to specify what 'lifestyle' payments are to be paid, which named account they are coming from/going to and the amount for each transaction.

While there is no statutory time limit for threshold requests, they still require attention and a timely response from the UKFIU's DAML Team. The UKFIU dealt with 515 threshold requests over the 18 month reporting period. In comparison to the 2014-15 figure of 228, the UKFIU dealt with 337 between 2015-16, an increase of 47.81%.

### **DAML case closures**

The total number of cases which were closed because the reporter withdrew the DAML request within the notice period, had requested a DAML in error, had failed to include a key piece of piece of information but were uncontactable or had failed to submit the additional information in writing to the UKFIU within the notice period, was 3,326 over the 18 months.

### **International**

The UKFIU works in close partnership with other key international organisations to fight money laundering and terrorist financing. It is a fully active member of the Egmont Group of FIUs; membership allows the UKFIU to seek and receive financial intelligence from other members in order to support law enforcement operations and projects. It also acts as the conduit to this resource for the wider UK law enforcement community.

The UKFIU utilises the Egmont Secure Web (ESW) and the EU system FIU.Net on behalf of the UK and processes inbound and outbound requests for criminal asset tracing intelligence through the Camden Asset Recovery Inter-Agency Network (CARIN) and the European Asset Recovery Office (ARO).

Examples of the work conducted by UKFIU International over this reporting period are included below:

- A DAML SAR was received from a reporter detailing the proposed movement of funds from one country to another. The reporter had suspicions that the owner of the account was wanted by overseas authorities for fraud and that funds in the account (millions of euros) were the proceeds of fraud. The UKFIU conducted international enquiries to confirm that this was part of a large scale fraud investigation. The UK reporter's SAR obligations meant that the UKFIU was able to refuse the DAML request, holding the funds during the notice and moratorium periods. This enabled foreign authorities to restrain the funds.

- UKFIU International, on behalf of UK law enforcement, made enquiries with overseas partners in relation to a UK murder suspect, where the identity of the suspect was in question but he was linked to an overseas account. The work completed by the UKFIU was integral in identifying the subject and allowed UK authorities to charge the subject under his true identity.
- The UKFIU was approached by a foreign FIU asking for support in an urgent, on-going counter terrorist operation to track down a suspect they considered dangerous. The foreign FIU established that the suspect had a UK financial product and sought confirmation of the identity of the subject, and had asked if the service provider had any locations for transactions. The UKFIU was able to identify the product and service provider and establish the suspect's identity. The UKFIU was also able to establish that the suspect held other products from the service provider and provide the transaction history. This information was passed to the foreign FIU on the same day of their request; the suspect was subsequently arrested.
- SAR intelligence identified a UK national who had sent funds to a foreign national who had links to illegal organ trafficking. The UK national was suspected of purchasing illegally obtained organs. The intelligence was sanitised and shared with relevant UK parties to enable investigations to be conducted.
- UKFIU International provided support to a foreign jurisdiction regarding a high risk missing person investigation, which assisted with the subject being located.
- The UKFIU received intelligence from a foreign FIU advising that funds totalling £600,000 were held overseas. The subject of the report had been convicted in the UK of fraud and was facing confiscation proceedings. The investigating LEA was unaware of these funds and subsequently sought a restraint; the LEA also initiated contempt proceedings against the subject for failing to declare them.

### Memorandums of understanding

The UKFIU International Team continued to re-confirm bilateral agreements with international FIUs and to develop new relationships through signing memorandums of understanding (MOUs). During this reporting period four new or updated MOUs were signed with international counterparts.

### International visits

The UKFIU facilitated a number of visits on behalf of overseas partners. These included visits from the Republic of Serbia Ministry of Interior Police Directorate, the Algerian Gendarmerie, the Pakistani National Accountability Bureau, the Italian Guardia di Finanza and representatives from the FIUs of Argentina, Australia, Belgium, Colombia, Guernsey, Jersey, Kenya and Liechtenstein to explore closer working.

Throughout the reporting period the NCA supported a Home Office-led, EU-funded Twinning project to increase the capability of MASAK, the Turkish FIU.<sup>26</sup> As part of this support, the UKFIU hosted a number of visits from senior delegates of the Turkish FIU, while sharing UKFIU guidance documents, typologies and sector specific reports. An officer from the UKFIU also visited the Turkish FIU in October 2016 as part of the project.

<sup>26</sup> Twinning is an EU instrument for institutional cooperation between public administrations of EU member states and of beneficiary or partner countries.

## Analysis and engagement

In 2016 an Analysis Forward Work Plan was created to help deliver UKFIU analysis and engagement activities. This document prioritised reports based on the size and risk faced by sectors outlined in the 2015 National Risk Assessment on money laundering and terrorist financing. The Forward Work Plan was also a useful tool to regularly brief progress at SARs Regime Committee meetings.

The outcome of the plan saw a range of UKFIU analytical products being shared with SAR regulators/supervisors, engagement groups and law enforcement partners, both domestically and internationally.

## Analytical products

Eight sector bulletins were created during this reporting period, providing sector specific information relating to SAR volumes, patterns and trends. They focussed on quality issues particularly concerning DAML disclosures and identified good and poor practice. Bulletins were created and disseminated relating to banks, accountancy service providers, legal service providers, trust or company service providers, estate agents, MSBs, unregulated betting/gambling and casinos (regulated gambling).

Referrals to regulators provided sector specific information for regulators and supervisors in addition to the sector bulletins. The intention behind these products was to highlight patterns and trends of poor or good practice in relation to specific reporters. These papers were structured to enable

the regulator/supervisor the opportunity to discuss issues with the UKFIU and to provide sufficient information to enable the regulator/supervisor to make assessments on the quality of SARs by specific reporters, balanced against the money laundering risks faced by their sector.

The UKFIU receives alerts and information on criminal behaviour from a diverse range of sources including the FATF, international FIUs and investigative journalism reports such as those made by Transparency International.<sup>27</sup> The UKFIU explored the visibility of criminal trends in these within UK SARs and, along with other patterns seen, created a number of typologies. The typologies identified criminal behaviour and illustrated red flags that could be used in reporter due diligence practices. The typologies focused on high risk areas and included analysis on TBML, professional enablers, corruption, the property market (real estate) and the accountancy, legal and charity sectors.

The TBML typology was shared with the Joint Money Laundering Intelligence Taskforce (JMLIT), with the UKFIU's analysis also supporting the 2016 NCA Threat Assessment on TBML.<sup>28</sup> The typology also provided case studies for JMLIT alerts on the topic which were shared with SARs regime participants and with international FIUs; the corruption typology report was likewise shared with the JMLIT, while the legal sector typology was shared with members of the Legal Engagement Group (page 23). All of these typologies were then shared more widely through UK private sectors and with LEAs and international FIUs.

<sup>27</sup> The FATF is an independent inter-governmental body that develops and promotes policies to protect the global financial system against money laundering, terrorist financing and the financing of proliferation of weapons of mass destruction.

<sup>28</sup> The JMLIT provides an environment in which the financial sector and LEAs can exchange and analyse intelligence to detect, prevent and disrupt money laundering.

Feedback has been very positive to the typology reports, with comments such as “fascinating documents”, “extremely helpful reports outlining red flags that we can share with compliance colleagues and the business” and “[the] case studies provide further insight into potential suspicious activity”.

## Engagement groups

In pursuit of the UKFIU engagement objectives outlined in the 2015 SARs Annual Report, during this reporting period the UKFIU reached out to high risk and high volume SAR sectors with a new approach to sharing information.

Stronger relationships were forged with regulators and supervisors with the ambition of exploiting better information sharing opportunities. Throughout 2016 the UKFIU regularly discussed sector bulletins and regulator papers with the Solicitors Regulation Authority (SRA), the Institute of Chartered Accountants in England and Wales (ICAEW) and the Law Society. Activities to improve awareness of risks, improve SAR standards and better ways of sharing information were considered.

In this new approach the UKFIU’s analytical products provided relevant case studies of good and poor practice and promoted guidance and ideas where improvement could be made. The products were tailored to meet the needs of regulators but also to provoke proactive activity by all parties concerned. Reporter profiles were shared with the ICAEW and SRA so that they could assess SAR performance against the risks faced by their sectors.

Meetings were also held with HMRC Estate Agent Businesses and MSB supervisors where regulator papers were discussed and collaborative activity agreed. The emphasis was on sharing good practice and signposting UKFIU guidance documents in their educational packages and via their websites. Reporter profiles were shared with both supervisors so that they could assess SAR performance against the risks faced by their sectors. Mechanisms to improve sharing information remain work in progress for 2017.

The UKFIU also regularly contributed to the SAR Affinity Groups and SARs Supervisor Forum where regulator papers were discussed and collaborative activity agreed.<sup>29</sup> The UKFIU, following NCA participation on SAR reform with Her Majesty’s Government (HMG) partners, was discussing the implications of changes with NCA colleagues and was able to provide early notification of any future guidance documents. The Supervisor Forum’s Chair recorded that the UKFIU’s approach to sharing information and provision of guidance was “history making and positively influencing a better SARs regime”.

A Legal Engagement Group was set up in 2016 with meetings mainly attended by UKFIU and NCA officers, with the Law Society and high volume SAR reporters normally representing the larger firms. The aim of the group is to build better working relationships between SARs regime stakeholders and to improve SAR submissions. UKFIU quarterly sector bulletins were produced for these meetings which included DAML and SAR volumes, while

<sup>29</sup> The Affinity Groups relate to sectors who normally operate in similar business environments and who face similar money laundering risks due to their business practices. There are affinity groups for the legal and accountancy sectors and the chair of each is invited to share their collective perspective at a larger SARs Supervisor Forum. The Forum brings together, at regular meetings throughout the year, all the SAR supervisors and regulators, as well as representatives from the UKFIU, Home Office and HM Treasury.

illustrating general quality issues. In October and November 2016 UKFIU officers supported SRA and Law Society conferences, setting up NCA exhibitor stands where copies of recent UKFIU guidance reports were made available.

The UKFIU also participated in quarterly meetings with the accountancy sector through the setting up of an Accountancy Engagement Group, the first meeting of which was chaired by the UKFIU in October 2015. The group, consisting of the highest volume SAR providers in the sector, aims to promote a greater understanding of DAML requirements by sharing information on accountancy SAR trends and patterns. The group has begun building an accountancy SAR template based on guidance set out in the UKFIU document 'Guidance on Submitting Better Quality SARs'. This template will be tailored to meet the needs of the whole of the accountancy sector relating to different types of services provided and offering examples specifically from that sector. During 2016 the UKFIU also contributed to the banking sector's Proceeds of Crime Group where the UKFIU's banking sector bulletins were shared and discussed.

UKFIU engagement with all the groups has received favourable feedback and there is a mutual desire to share information and good practice. To help enhance a better understanding of the private sector perspective a number of sector representatives have given presentations at UKFIU training events. The overall approach has had a very positive impact on partnership working as illustrated by feedback such as "the UKFIU approach is brilliant". One high volume SAR reporter stated that "as a result of discussing good practice at this [accountancy engagement]

group we have changed and improved some of our anti-money laundering reporting activities." The same reporter acknowledged that as a result of discussions at this group and the typologies, they had been able to more confidently identify patterns to flag up for further due diligence: "work has been turned away and reports made as a consequence of information sharing".

As the SARs regime goes through a significant period of transition (page 29), continued engagement in these meetings and outside is very important.

Over the 18 month reporting period, the UKFIU's Dialogue Team carried out 70 visits/presentations to the reporting sector including six presentations for the estate agency sector and five for reporters in Turkey (as part of the Twinning project; page 21). Presentations were given to a wide range of regulators and trade bodies including the Institute of Money Laundering Prevention Officers and the Irish Credit Unions. Support was provided to four HMRC webinars (trust or company service providers, estate agents, MSBs and accountancy service providers) with audiences averaging around 300. There were also 40 visits to end users of SARs which included Arena demonstrations.<sup>30</sup>

Additionally, based on the assessment of SARs received, if the UKFIU believe there are issues that suggest there may be a breach of regulatory issues, then the UKFIU will liaise with the appropriate regulator accordingly.

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**30** Arena is a search and analysis tool for end users of SARs.



## Analysis and Communications Team

Following the restructure of the UKFIU, the SARs Data Exploitation Team (SDET) was subsumed into the DAML Team to provide greater resilience in this critical area. An Analysis and Communications Team was created in January 2017 to take forward the strategic analytical work of the UKFIU.

It was felt that although the factual analysis and summaries created by SDET were strong, the UKFIU needed to drill down further into the SAR intelligence to enhance the understanding of the NCA, law enforcement and regulated sector. Following an initial transition stage, the small team has already made contact with a number of regime stakeholders and has provided SAR statistical and analytical support to a number of UKFIU and wider NCA departments.

## Dye stained banknotes

The UKFIU conducted analysis of SARs mentioning dye stained banknotes indicating that they were likely derived from robberies and that anyone depositing such notes was probably money laundering. Lists of such SARs were disseminated to LEAs to ensure their complete processing of the SARs. Initial LEA feedback has been positive with one force asking how they could conduct their own searches in this manner and another LEA confirming that a SAR had been successfully linked to a cash-in-transit robbery. This example illustrates how the UKFIU is working collaboratively with LEA partners to maximise the benefits derived from the SARs regime in order to identify and disrupt money laundering activity.

## Firearms

In October 2016 the NCA, in partnership with National Counter-Terrorism Policing (NCTP), Regional Organised Crime Units (ROCU), Ministry of Defence Police, police forces, the National Ballistics Intelligence Service and Border Force (BF), launched the largest multi-agency, nationally co-ordinated operation against a single threat in the UK's history.<sup>31</sup>

The operation aimed to protect the public by disrupting the criminal supply of illegal firearms and ammunition into and around the UK, and preventing their use in criminality and terrorist firearms attacks, such as those perpetrated in France in 2015. It also trialled a new approach to intelligence collection and sharing between the NCA, NCTP, BF and Ministry of Defence, which continues via the newly founded National Firearms Threat Centre.

The operation's strategic objectives were: to develop and establish a better understanding of the UK threat from illegal firearms and ammunition, both nationally and internationally; have a disruptive impact on the threat from illegal firearms and ammunition within the UK and internationally; and identify how the UK can develop and implement an enduring operational model that better mitigates the threat from illegal firearms and ammunition within the UK and internationally.

In September 2016 the UKFIU created a new SAR glossary code to help identify SARs that pertained to firearms.<sup>32</sup> This code was used by the UKFIU to assist with the operation.

<sup>31</sup> ROCUs form a critical part of the national policing network and are responsible for understanding threats from serious and organised crime. Their work includes undercover policing, specialist surveillance and cyber-crime investigation.

<sup>32</sup> SAR glossary codes are used by reporters when submitting a SAR to quickly describe the reason they suspect money laundering.

Over the course of the operation the UKFIU conducted daily searches of the Elmer database to identify firearms-related SARs using the new code and key words.<sup>33</sup> The results were then analysed and those relevant to the operation were fast-tracked to the relevant team within the NCA. During this period the UKFIU identified 235 SARs of possible interest and 36 were disseminated.

Feedback from the operation team stated that “UKFIU officers provided valuable input, developing an option to get ‘fast-time’ SAR data, as well as providing in-depth economic skills and knowledge. UKFIU officers brought with them a very positive, ‘can-do’ attitude, dealing with large volumes of data and brought a vast range of skills from investigations and intelligence which proved extremely useful”.

## Panama Papers

Following the publication of the Panama Papers in April 2016, the UKFIU undertook daily checks on SARs based on key word searches. The purpose of the checks was to illustrate volumes, themes and trends relating to the submission of SARs concerning Mossack Fonseca since April 2016. The analysis, conducted over seven months, produced weekly reports for the NCA’s Economic Crime Command (ECC) senior leadership team.<sup>34</sup> During this period the UKFIU received a number of international requests from overseas FIUs relating to Mossack Fonseca or possible links.

## ‘Flag it up’ campaign

The UKFIU worked collaboratively with the Home Office in relation to their ‘Flag it up’ campaign which

aims to enhance anti-money laundering practice by the legal and accountancy sectors. The campaign highlighted the risks of unwittingly becoming a professional enabler, poor compliance and the consequences of non-compliance. Guidance and statistics provided by the UKFIU was incorporated into educational material and featured in animated storyboards for reporters, questionnaires, statistical data, case studies and articles in national and specialist publications.

As part of the campaign, in February 2017, in collaboration with the Home Office and the ICAEW, the UKFIU co-hosted a webinar to over 200 viewers from over 50 firms in the accountancy environment. This was the first time this style of communication had been utilised by the UKFIU and it was used to signpost good practice, criminal typologies and guidance relating to SAR submissions. The trade bodies, including the ICAEW, recorded the webinar for future educational programmes and the NCA promoted the event in advance via social media. Feedback from the accountancy sector and the Home Office was that the UKFIU helped the audience to visualise the harm caused by money laundering, by delivering impactful messages in their outline of personal experiences in dealing with victims and criminals.

The UKFIU intends to build on this with a view to presenting similar webinars to other SAR sectors as part of its engagement plan with the private sector. Such communication links into the Government’s Anti-Money Laundering Plan regarding improving information sharing with the private sector.

<sup>33</sup> Elmer is the existing SARs database in the NCA.

<sup>34</sup> The purpose of the ECC is to reduce the impact of economic crime (including the financing of serious and organised crime) on the society and economy of the UK.

## Glossary codes

SAR glossary codes are used by reporters when submitting a SAR to quickly describe the reason they suspect money laundering. They are intended to enhance the capabilities of law enforcement to use the submissions and to reduce the effort expended by reporters in completing a SAR. Their use by reporters is considered good practice and allows the UKFIU and wider law enforcement to conduct analysis to identify money laundering trends, high risk cases for development and take immediate action where necessary.

The SARs regime is not a route to report crime or matters relating to immediate risks to others; the regime is for reporting knowledge or suspicions of money laundering, or belief or suspicions relating to terrorist financing. As such, in addition to a SAR, reporters may also have to report the matter via other routes to ensure the right information gets to the right organisation.

In a bid to clarify these reporting routes and to update the codes to include reference to high profile specific threats e.g. HEML, in September 2016 the UKFIU revised the codes in a new guidance product entitled 'SAR Glossary Codes and Reporting Routes'. This document is regularly refreshed so reporters are encouraged to routinely check the NCA website for the most up-to-date version. As of October 2016 all previous codes were deemed no longer valid; to assist with the transition phase, the UKFIU set up a help desk throughout September to help reporters with the changes.

The UKFIU conducted immediate analysis of SARs being received post glossary code change, and contacted a number of reporters who were still utilising the old codes; assurances were received that these would no longer be used.

The new codes permit the UKFIU to provide more efficient analysis relating to feedback patterns and trends to the reporting sectors to help them better prepare their risk profiles and due diligence processes. They have the potential to enhance impact assessments on high risk areas and provide strong indications of new emerging risks. This will help end users prioritise activities and enhance contributions to SAR reporter engagement groups. Additionally, the codes enable the UKFIU to quickly identify SARs which require priority attention by end users e.g. vulnerable people, including victims of child exploitation and modern slavery.

## Guidance and communication products

The UKFIU published three Reporter Booklets over this period (in May and September 2016 and February 2017), for the first time making them available on the NCA website to facilitate wider access. The booklets provide important updates on the SARs regime, the work of the UKFIU, feedback from law enforcement end users, SAR case studies and examples of good practice.

In September 2016 the UKFIU published a comprehensive booklet entitled 'Guidance On Submitting Better Quality SARs', aimed at improving the quality of submissions while offering information on how to submit SARs, their basic structure, obtaining a defence against money laundering or terrorist financing, good practice tips, examples and contact details.

In November 2016 the UKFIU produced a new document – ‘Guidance On Reporting Routes Relating To Vulnerable Persons’ – aimed at providing the correct pathways when reporters raised concerns in respect of vulnerable persons. The SARs regime is not a route to report a crime and this document, made available on the NCA website, signposts reporters to the most appropriate reporting routes.

## NCA Alerts

NCA Alerts are direct and indirect warnings by the NCA for business, financial institutions and industry about serious organised crime and its effects.

Over the reporting period the UKFIU assisted in the creation of a number of Alerts. One, which identified SAR visibility of the abuse of commercial client open account payments with trade-based money laundering, was circulated to the British Banking Association via the JMLIT.

Another Alert provided indicators describing specific characteristics of financial transactions that are likely to be involved with or linked to foreign terrorist fighters (FTF) financing.<sup>35</sup> This Alert was generated from an Egmont sharing project. Other Alerts issued related to domain and sub-domain name suspension requests, pertaining to web domains that the UKFIU had identified and believed to be associated with individuals active in serious and organised crime.

The UKFIU also created an Alert in conjunction with the National Fraud Intelligence Bureau warning of attempted frauds which were using the name of

the UKFIU.<sup>36</sup> Fake letters utilising logos from the NCA (and predecessor organisation the Serious Organised Crime Agency [SOCA]) had been sent to individuals and organisations purporting to be from the UKFIU. These letters normally stated that an account containing significant sums of money had been frozen by the UKFIU with immediate effect and that a fee was required to release it. The Alert reiterated that the UKFIU never seeks payment of fees to release funds and that such requests were attempts to defraud individuals and organisations.

## Industry awareness days

The UKFIU held two more successful awareness events for its officers, including embedded staff from HMRC and the National Terrorist Financial Investigation Unit (NTFIU).<sup>37</sup> The purpose of these days is to support UKFIU officers of all grades in developing their knowledge, skills, understanding and experience necessary to carry out their duties to the high standard expected of a national bureau.

Events were held in July 2016 and March 2017 and included presentations from representatives in the banking, accountancy and legal sectors, the SARs Reform Programme, an overview of the JMLIT, an update from the UKFIU’s Terrorist Finance Team and a panel discussion on the (then) Criminal Finances Bill. Both days were opened by ECC Deputy Director Nigel Kirby. Highlights of the March event were videoed by the UKFIU and edited onto DVDs for showing at UKFIU team meetings and training days.

**35** United Nations Security Council Resolution 2178 (2014) defines FTFs as individuals who travel to a state other than their states of residence or nationality for the purposes of perpetrating, planning, preparing or participating in terrorist acts; or the providing or receiving of terrorist training in connection with armed conflict.

**36** The NFIB sits alongside Action Fraud within the City of London Police which is the national policing lead for fraud.

**37** The NTFIU is the LEA responsible for the investigation of terrorist finance in the UK. It is based within the Metropolitan Police Service’s Special Branch.

## SARs Regime Committee

The NCA's SARs Regime Committee, chaired by the ECC Director and bringing together representatives from law enforcement, anti-money laundering supervisors and the regulated sector, continued to meet on a regular basis. In 2016 membership of the committee expanded with representatives from the Gambling Anti-Money Laundering Group joining.

## Home Office audit

In 2016 an independent audit of the UKFIU was conducted on behalf of the Home Office, focusing on risk management, governance and control arrangements. The audit reviewed, amongst other things, the end-to-end processes for handling SARs (including dissemination to LEAs), the effectiveness of management information used to monitor the effectiveness of the UKFIU, the guidance in place for all UKFIU officers who handle SARs, the effectiveness of quality assurance arrangements and obtaining effectiveness/efficiency views from external SARs regime stakeholders.

The audit made a number of recommendations for improving the workings of the UKFIU, all of which have been acted upon.

## SARs Reform and Criminal Finances Act

The Government published its Action Plan for Anti-Money Laundering and Counter-Terrorist Finance in April 2016 sending a clear message that the UK will not stand for money laundering or the funding of terrorism through UK institutions. The Action Plan includes a commitment to reform the SARs regime, making the necessary legislative, operational and technical changes.

The Home Office has since put the Criminal Finances Act on the statute book. The UKFIU (and the NCA generally) worked closely with the Home Office to deliver this. The main provisions that relate to the UKFIU and the SARs regime are:

- extending the moratorium period (up to a maximum of six months in certain circumstances)
- the power of the UKFIU to request additional information from reporting entities in order to better perform analysis
- information sharing of money laundering/terrorist financing within the private sector.

In relation to extending the moratorium period, the UKFIU welcomes this power, which will facilitate investigations involving international enquiries or the contacting of large groups of victims, preventing the potential dissipation of assets for the required time.

The power to request additional information from reporters is necessary for the UKFIU to meet the requirements of the FATF and the related EU Directive. From an operational perspective, the new power will enhance the UKFIU's effectiveness and efficiency and will support its analysis function.

The provision of information sharing will enable the private sector (e.g. bank to bank) information sharing when there is suspicion of money laundering or terrorist financing. The proposal is that information sharing can be triggered by any member of the regulated sector, who would then notify the NCA, or it can be initiated by the NCA. The NCA welcomes this provision and views it as pivotal to the continuing success of the JMLIT.

The NCA and Home Office have established a joint SARs Reform Programme to deliver more fundamental change to the regime. Work has commenced on looking at what is in the best interests of the UK with regards to its model, its funding and supporting Information Technology (IT) in the medium to longer term. The programme has also established a short term programme of improvements that are being taken forward in parallel with longer term design work.

## Information technology

### Resilience of the SARs IT systems

The NCA Board continues to recognise the risks relating to potential failure of the NCA's SARs Information Technology (IT) capabilities. However, some significant progress has been made with regard to stabilisation of these systems since the last Annual Report.

Under the NCA's 'Modernisation' programme the SARs IT gateway servers have been successfully migrated to a new data centre. This specifically benefits the SAR Online, money.web, Arena and FIU. Net services as they are now located in a hosting environment which provides greater stability.<sup>38</sup> In addition, new infrastructure for the SARs bulk reporting system has been developed in the data centre. This has been tested and is now being rolled out to external users. The money.web and Arena systems have also been successfully migrated onto the government's Public Services Network (PSN) which ensures the longer term availability of these systems to the end user community.<sup>39</sup>

A further SARs IT sustainment project will begin early in the next reporting period, aimed at undertaking improvement work and upgrades on back end components of the core SARs IT systems. This is forecast to take approximately seven to eight months to deliver and will provide greater resilience until such time as a new SARs IT system can be implemented.

New terms of reference have been established for the NCA's SARs IT Board. Membership of the board consists of senior management representation from the UKFIU, the NCA's Technology Command and the external IT supplier. Under the governance of this board progress has been made regarding resolution of long standing internal SARs IT problems whilst the frequency of high priority IT incidents has reduced.

Replacement of the SARs IT systems remains the NCA's longer term strategy. This activity now falls under the governance of the Home Office SARs Reform Programme (page 29).

Under the Home Office SARs Reform Programme some investment will also be made in relation to the Arena system. This will deliver short term tactical activities to further enhance SARs data exploitation amongst end users. These activities will focus on training and awareness development alongside resolution of local IT connectivity issues for some end users. Following completion of a recent project, Arena now has capacity to be made available to a wider range of law enforcement organisations.

<sup>38</sup> Money.web is an online portal through which end users access the SARs database.

<sup>39</sup> PSN is the UK government's high-performance network which helps public sector organisations work together, reduce duplication and share resources.

## Arena

The UKFIU is working with the National Police Chiefs Council (NPCC), the Metropolitan Police Service and the Home Office to improve the use of Arena and the exploitation of SAR material. This involves closer working with ROCUs and Regional Asset Recovery Teams (RARTs), delivering in-house training and an e-learning training package together with improved IT connectivity which will hopefully deliver efficiency savings and financial benefits which can then be shared with the wider LEA community.<sup>40</sup>

The Financial Intelligence Administrator role (page 32) has widened access to 'financial intelligence' and the search and visualisation tools within Arena are providing LEAs with the opportunity to further understand their key priorities and focus their resources on those areas.

UKFIU officers visited a large number of LEAs during this reporting period to demonstrate the benefits of Arena, particularly its bulk searching facility and how to make appropriate search queries to identify key targets. This work has focused on helping law enforcement partners develop SAR intelligence and enhance opportunities to disrupt criminality.

## SAR confidentiality

Protecting the confidentiality of those who submit SARs is the bedrock of the SARs regime and as such the UKFIU takes any potential breaches extremely seriously. During this reporting period there were three formal allegations of a breach of confidentiality recording.

In one breach, details of a dissemination package sent by the UKFIU to an overseas FIU (as per Egmont principles of information exchange) came into the possession of a subject of a SAR. The UKFIU liaised with the foreign FIU to ascertain how this occurred. This investigation was resolved through engagement with the foreign FIU to seek assurances that data sharing and confidentiality principles are maintained moving forward. This will be kept under review.<sup>41</sup>

In two separate breaches, details of UKFIU referrals featured in foreign media following UKFIU disseminations to those countries' FIUs. At the time of publication both these breaches were still being investigated by the UKFIU.

To raise awareness internally within the NCA i.e. to ensure that officers have procedures in place to identify and manage sensitive material with due regard to POCA, Home Office Circular 022/2015 and the effective operation of the regime, the UKFIU created two factsheets.<sup>42</sup> The first gave guidance on the confidentiality, dissemination and disclosure of SARs material, the referencing of SARs on NCA systems and access to SARs material; the second highlighted the usefulness of information in SARs beyond financial intelligence and the ways in which it can be accessed by NCA officers.

<sup>40</sup> RARTs, made up of officers and staff from various LEAs, specialise in seizing assets and property from criminals where it has been established that they have acquired the assets by criminal means.

<sup>41</sup> This breach was referenced in the 2015 SARs Annual Report, although at the time of going print investigations were underway to ascertain if this reported incident was a confirmed breach.

<sup>42</sup> Home Office Circular 022/2015 – 'Money laundering: the confidentiality and sensitivity of Suspicious Activity Reports (SARs) and the indemnity of those who make them' – covers the detailed procedures which LEAs and the NCA must follow to safeguard the confidentiality of the originator of a SAR

## Financial Intelligence Administrators

The Financial Intelligence Administrator (FIA) role, established by the UKFIU in partnership with the NPCC and the NCA Proceeds of Crime Centre, is a national accreditation awarded to law enforcement officers who require access to SARs data for intelligence purposes. The role allows for greater exploitation of the SARs database, but ensuring that it is done in a controlled environment. The number of law enforcement and government personnel who are now FIAs is significant and continuing to grow; during this reporting period 1,389 officers passed the FIA exam (this is broken down into 549 external staff and 840 NCA staff).

## Vulnerable persons

Although the SARs regime is for reporting knowledge or suspicions of money laundering, or belief or suspicions relating to terrorist financing, one of the

consequences of closer partnership working across agencies has been the identification of members of the public who are vulnerable, or likely to become vulnerable to financial crime. As part of the 'Protect' strand of the Government's 2013 Serious and Organised Crime Strategy's '4 Ps' framework – increasing protection against serious and organised crime – the UKFIU is able to identify new SARs containing information on various potential crimes that target vulnerable members of society and fast-track them to LEAs ahead of the seven day period on money.web. In this reporting period 3,424 vulnerable person intelligence packages were disseminated to LEAs.

The following case studies are just a few examples of how SARs are helping to protect vulnerable members of society and how SARs can enable law enforcement to take action against those seeking to exploit such people.



### SARs prevent loss of £300,000 from two vulnerable victims

A reporter sought a DAML to process a payment request to an overseas bank. The account holder was an elderly person who had been accompanied by another individual, who was very cagey on the details of the transaction. The reporter suspected that the account holder was being coerced into making this payment as part of an investment scam. A similar DAML request was also received in relation to another person wanting to send funds to the same named company overseas, accompanied by the same individual. The UKFIU exercised its power under POCA to refuse both DAML requests and the investigating LEA identified the accompanying individual as being associated to individuals suspected of being involved in fraud. Both account holders withdrew their requests to transfer funds and as a result local police were successful in preventing the transfer of a total of £300,000, the life savings of these two individuals, to overseas jurisdictions in a suspected investment/pension liberation scam.





### Single SAR initiates money laundering and fraud investigation

A money laundering and fraud investigation was instigated as a result of a SAR and a number of people were subsequently arrested on suspicion of money laundering. It was discovered that a suspect was contacting vulnerable repeat victims of fraud and persuading them to transfer money into the accounts of money mules by claiming that if they did so it would be possible to recover previous losses from investment frauds. Losses are estimated to be in the region of £800,000. The investigation would not have commenced had it not been for the initial SAR and there have been numerous SARs in respect of the victims and suspects. Enquiries are on-going.



### Fast-tracked SAR leads to prison sentence

A reporter submitted a SAR relating to an alleged fraudulent attempt to obtain a personal loan. An application for a short term loan had been made to a high street money lender; however, the establishment was concerned that the victim making the application looked in fear and was being coerced by another individual who was also present. Details of the individual perceived as vulnerable were provided by the money lender to the NCA. The UKFIU fast-tracked the SAR to the local LEA who investigated. One person was subsequently convicted of multiple counts of fraud by false representation to the value of over £110,000 and received a prison sentence. The LEA said: “investigating the original victim brought to light a second victim which proves how valuable the SARs regime is”.



### SAR instrumental in charging subject and identifying additional victim

The UKFIU received a request from a reporter seeking a DAML to release funds to their client following concerns that the client had previous convictions for fraudulent activity. The SAR provided details of another victim; the LEA interviewed relevant witnesses in order to secure the subject’s arrest whilst applying for restraint against the funds. The LEA said the SAR was instrumental in triggering this positive outcome and had been a fantastic piece of intelligence for the force to work on. The subject has since been charged.



### Subject sends £120,000 overseas due to online fraud

SARs identified a potentially vulnerable person who had been sending money overseas. The subject was visited by local police and admitted to having met an individual online who claimed to be in the United States’ military. In total the subject had sent £120,000 to West Africa, together with copies of identity documents. The subject accepted that this was a fraud and contacted the relevant offices regarding their identity documents. Action Fraud was informed.<sup>43</sup>

<sup>43</sup> Action Fraud is the UK’s national fraud and internet crime reporting centre.



### **SAR identifies victim who had sent £80,000 to West Africa**

A SAR identified a potentially vulnerable person who had been sending money overseas. When visited by local police the subject said she had met an individual on an online dating website who said he wanted to move to the UK. In total the subject sent over £80,000 to West Africa. Crime prevention advice was given.



### **Police intervention stops individual from sending further money overseas**

SARs raised concerns over an individual who had been sending money for several months to different people overseas. In total he had sent over £35,000. When local police officers visited him he admitted that he had been sending money abroad to his 'girlfriend' whom he had never met and to others she had requested. With relevant advice from the police officer, he realised that he had fallen victim to a romance scam. He has consequently not sent any further money.



### **SARs lead to intervention measures to protect vulnerable septuagenarian**

SARs helped identify a septuagenarian who had repeatedly invested a large amount of money with a fake investment company. Local police visited him, along with Trading Standards, and interventions are now in place to prevent further loss. Enquiries are on-going in relation to some of the bank accounts mentioned in SARs and the matter has been reported to Action Fraud.



### **Fast-tracked SAR leads to protection for vulnerable person**

The UKFIU received a SAR which identified a vulnerable person with learning disabilities who was being taken advantage of in relation to sending funds abroad. The UKFIU fast-tracked the SAR to the relevant local LEA who immediately made contact with social services resulting in passwords and withdrawal limits being put in place as a 'safe-guarding' initiative for the future protection of the victim. He wrongly believed he had done something unlawful and received police reassurance.



### **SAR highlights over 50 direct debits set up by targeted nonagenarian**

A SAR highlighted that a nonagenarian had been perpetually targeted by cold callers; it turned out she had over 50 direct debits set up to various charities. The direct debits were cancelled and safeguarding measures put in place.



### SAR leads to assistance for vulnerable victim with mental health issues

A SAR identified a vulnerable victim with mental health issues who had been sending money to West Africa to a believed girlfriend. The demands for money were becoming more frequent. Local law enforcement officers visited the individual but he refused to accept he was the victim of a fraud and continued to send money. When officers visited again he had the minimum amount of food in his home and no credit on his phone. Action Fraud was informed, financial and fraud advice was given and a referral was made to the local safeguarding team for his welfare. The victim had been sending money for a number of years.

## HMRC increasing the use of SARs

HMRC's criminal finance strategy is based around identification and intervention against key risk areas using the full range of the department's capabilities. This includes civil or criminal investigation, asset disruption, denial and recovery techniques, policy and legislative amendment and, in relation to MLRs risks, the full range of anti-money laundering supervisory interventions, including criminal sanction. Intelligence and organisational learning is extracted from these activities and used to inform the overall risk and threat picture, which in turn influences future operational activity.

A key component of risk identification is the SARs regime. SARs, and the intelligence derived from them, play a fundamental part in HMRC's drive to maximise intervention opportunities afforded by the criminal finance intelligence strategy and the full range of asset disruption, denial and recovery techniques available to HMRC. The 2016-17 financial year witnessed a change in HMRC's operational response to DAML SARs, with a number of interventions secured using non-POCA capability such as civil freezing orders or civil insolvency interventions. These represent a new way of working which HMRC wishes to build upon during 2017-18

when a number of new provisions are made available within the Criminal Finances Act.

HMRC has continued to work with the NCA using a data matching tool that enables the cross referencing of HMRC and third party data with SARs data. This has matched risk profiles to SARs data and continues to generate cases for both criminal and civil investigation. Yield from civil enquires between April 2016 and March 2017 amounted to £48.7m. Further exploitation of this capability has also enhanced civil investigations profiled for HMRC's risk-led taskforces by generating intelligence to support a yield of £22.1m between July 2016 and March 2017.

Progress to expand the capability continues and has enabled the exchange of new information, including interest markers and enhanced data to improve risk assessment from the Elmer database. HMRC's embedded staff in the UKFIU continue to work with the NCA to identify and develop sensitive SAR intelligence. This aims to identify undeclared and unreported assets and income hidden overseas and to recover unpaid taxes, along with any penalties due.

HMRC will seek to further engage with its Fiscal Crime Liaison Officer network to encourage them to work with FIUs in other jurisdictions to support improved quality and a greater number of disclosures.<sup>44</sup>

Work is also underway with HMRC's data analysis teams to more effectively exploit SAR intelligence by pinpointing clusters and patterns within the SAR data to assist in the identification of the right intelligence for and from the right customer.

DAML SARs continue to be utilised to identify cases where HMRC can take action to disrupt crime. Between April 2016 and March 2017, 1,835 DAML SARs were referred to HMRC by the UKFIU. Between mid July 2016 and early March 2017, restraint orders and winding up petitions amounting to over £15m were obtained by HMRC on new cases identified through DAML referrals.

HMRC has set up a new team, aiming to recover cash and assets to set against HMRC debts, using insolvency legislation. Funds held by a financial institution, identified through a DAML request, were successfully secured through the appointment of a provisional liquidator, in a case assessed to have a debt of £7.8m pending the winding up and investigation of the company's activities. HMRC has also set up a team to spearhead a new approach to address the social harm caused by the acquisition, ownership and movement of criminal property. The team aims to combat money laundering, recover criminal property and proactively identify and target the enablers of serious and organised crime. Since its inception in August 2016,

this team has been involved in a number of cases where the immediate asset denial was in the region of £7m, of which £4.5m was directly as a result of DAML requests.

Within the criminal finance area, HMRC's Fraud Investigation Service (FIS) is actively engaged in seeking to weaken the intent and capability of organised crime groups (OCGs) to use MSBs as money laundering vehicles. FIS is also enhancing its knowledge of enablers and its understanding of TBML and other HEML techniques to allow HMRC to better disrupt, deter and interdict both the criminal methodologies used and the enablers themselves. The exploitation of SARs is and will continue to be a key part of this.

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<sup>44</sup> The FCLO network is comprised of diplomatically accredited HMRC officers based in a number of embassies and High Commissions around the world. FCLOs actively engage with overseas customs, tax, police and other LEAs by sharing information and expertise in order to tackle fiscal crime.

## Case studies

The below case studies demonstrate the value of SARs intelligence in tackling a wide range of crimes.



### SAR leads to individual pleading guilty to child sexual exploitation

The UKFIU fast-tracked a SAR relating to child sexual exploitation (CSE) activity to the NCA's CSE Threat Desk. The Desk made further requests to the reporter for information in relation to a possible suspect named in the SAR, who had previously been arrested for similar offences and was on bail, and who had continued their criminality. The suspect was re-arrested and placed in custody. The suspect subsequently pleaded guilty to a number of counts, including new offences of making indecent images and arranging or facilitating the commission of child sex offences, and received a prison sentence.



### Subject on jurisdiction's wanted list arrested and extradited following SAR

A SAR highlighted that the subject was on a foreign jurisdiction's Most Wanted List. Extensive financial enquiries by the investigating LEA traced the subject to a local business where he was currently employed. The subject was subsequently arrested on an international warrant and extradited.



### SAR identifies offender wanted in rape enquiry

An LEA was attempting to identify a possible offender in an undetected rape offence based on a mobile phone number they had. A search of the Elmer database by the NCA identified a SAR relating to the mobile number. This SAR provided a name and date of birth for an individual. Using open source material to corroborate the identity of the suspect, details were passed to the LEA who arrested the individual the same day.



### DAML SARs assist in detaining £50m and arrests

A SAR requested to release blocked funds of over £10m whereby the subject was suspected of operating a large-scale fraud. The subject operated globally and the intelligence provided by the reporter assisted the investigating LEA with strategic decisions around an OCG. Since the SAR was submitted the LEA has, through the refusal of DAML requests, detained approximately £50m and a number of individuals have been arrested.



### Subject investigated for possession of indecent images of children

After a review of its transaction database a reporter identified that a customer had sent a number of money transfers overseas; they submitted a SAR as the activity seemed suspicious. The subject was visited by local police as he was initially believed to be a possible victim of a romance scam. The subject is now, however, being investigated for possession of indecent images of children. Enquiries are on-going.



### **Confiscation order for over £2m after SARs identify hidden funds**

SARs assisted in an investigation into a subject who had concealed monies that should have been paid to creditors. The SARs, together with other evidence and intelligence, enabled the investigator to make the links between the suspect and a relative who owned a bank account that was being used by the suspect as their own. Large amounts of monies were found to have been deposited in this account. A confiscation order for over £2m was made.



### **SARs assist in £5m+ fraud enquiry**

A number of SARs were received on an individual who had links to persons involved in criminality and was believed to be laundering criminal property. The subject was believed to be running a Ponzi type fraud.<sup>45</sup> Individuals have been arrested and the investigation has identified over £5m in fraudulent credits. Enquiries are on-going.



### **SARs identify individuals involved in illegal entry into the country**

A foreign national lorry driver was encountered entering the UK with a number of illegal entrants concealed in the rear of his vehicle. From telephone downloads another foreign national was identified in the UK; SARs revealed that this second individual, and a relative, had suspicious activity on their accounts which led to the suspicion that they were involved in the facilitation of illegal entry and money laundering. All three individuals subsequently received prison sentences.



### **SAR intelligence leads to over £700,000 restrained and arrests**

A money laundering enquiry was started following SAR intelligence relating to funds being sent from a company in the UK to a company overseas. The investigation covers a number of individuals and businesses across different force areas with associated subjects in different countries. Over £700,000 has so far been restrained and a number of arrests made. Enquiries are on-going.



### **SARs lead to prison for breach of deportation order**

An individual had been deported from the UK. SARs reporting suggested that the individual had recently attempted to open a bank account in the UK, with a UK address associated with the application. An LEA developed the intelligence and ascertained that the individual's family (who were also subject to a deportation order yet to be enforced) remained at the address associated with the individual's bank account application. Officers visited the residential address and arrested the subject and made a cash seizure. The subject received a prison sentence for breach of a deportation order and was deported following completion of the prison sentence. The successful deportation was solely as a result of SARs intelligence.



### **SARs assist in large drug and human trafficking investigation**

Numerous SARs have been received referring to cash credits being deposited all over the country by individuals purporting to be studying on student visas. Around £2m is believed to have been paid in and transferred to other persons involved. A number of arrests have been made, over £600,000 in cash has been seized and over £400,000 restrained. The investigation, which is looking at drug and human trafficking offences, is on-going.



### **SAR assists in prison sentence and £500,000 confiscation order**

An LEA was already investigating a subject who had been charged with various offences. A reporter sought a DAML to exit an account they had with the subject and to pay away the funds. The reporter detailed multiple credits and transfers into the subject's account. The UKFIU exercised its power under POCA to refuse the DAML request enabling the investigating LEA to restrain over £370,000. The subject received a prison sentence and received a confiscation order for over £500,000.



### **SARs lead to prison sentence and confiscation order for over £160,000**

A reporter wished to exit a relationship with a client due to suspicious activity on the account which was in receipt of third party transfers funding large cash withdrawals, extravagant expenditure and large payments. A money laundering investigation began as a number of SARs suggested that the subject was running a dating web scam. The subject received a prison sentence for offences of fraud by false representation and a confiscation order for over £160,000 was also secured.



### **Prison sentence following theft from elderly victim**

An elderly individual had over £50,000 stolen from their bank account. A suspect had been named who was connected to the subject of a SAR. The SAR highlighted that the subject had deposited a large amount of cash over a number of months. An individual was convicted of theft/fraud and received a prison sentence. A confiscation order was made for over £25,000.



### **SAR intelligence leads to a number of prison sentences**

SAR intelligence instigated a financial investigation which saw a number of people convicted. The SAR intelligence reported excessive gambling on the part of the subject. During the course of the subsequent LEA investigation it was identified that an OCG was involved in drug trafficking. It was established that although having no visible means of income the head of the OCG had deposited around £1.8m into a betting account over a number of years. A number of individuals received prison sentences while others received suspended sentences and community orders. The LEA worked closely with the gambling company over many months to enable a successful outcome. Confiscation proceedings are underway.



### Subject facing prison overseas sees funds restrained following SAR

A reporter requested a DAML to pay away funds to their customer after they discovered the customer was facing a prison sentence overseas for people smuggling offences. Investigators liaised with the overseas authorities and the UKFIU exercised its power under POCA to refuse the DAML which assisted in enabling the funds to be restrained.



### SARs assist in large scale immigration investigation

SARs have greatly assisted an investigation surrounding a foreign national who is suspected of immigration offences. The SAR intelligence has shown evidence of unexplained cash in the subject's accounts, suggesting the laundering of payments made by those he may be assisting with illegal entry. It has also shown financial links to other foreign OCGs and other UK associates. The SARs intelligence has corroborated the initial intelligence received and provided several new intelligence leads for further development.

## Terrorist finance

Preventing terrorists from exploiting the global financial system is a key priority for HMG. The UKFIU supports this objective by identifying and making available SARs to appropriate investigative authorities, sharing information with foreign FIUs and administering the consent regime under the Terrorism Act 2000.

Over the reporting period, 2,026 SARs were pro-actively identified and disseminated to the NTFIU and the Counter Terrorism Unit (CTU) network.<sup>45</sup> This process involved the targeted review of 26,655 SARs, identified from all SARs received.

The UKFIU's Terrorist Finance Team (TFT) continued to support the work of CTUs across the UK. In particular, there was close co-operation with the NTFIU following the terrorist attack in Westminster in March 2017.

TFT also provided support to international partners following attacks in European cities, particularly after the attacks in Paris in November 2015.

The TFT contributed to international projects looking at how foreign terrorist fighters finance their travel (page 28) and helped identify typologies that they utilise to raise, move and use the funds required. The team has also supported HMG initiatives to establish how terrorists move their finances.

In terms of non-operational support, the TFT attended the TF Experts Group meeting of the JMLIT and also contributed to the Office for Security and Counter-Terrorism Terrorist Finance strategy and the National Risk Assessment of Terrorist Finance.

<sup>45</sup> CTUs are regional units which were set up as part of a national response to terrorism, in line with the Government's counter-terrorism strategy, CONTEST.



## FATF Mutual Evaluation

The UKFIU has been extensively supporting Her Majesty's Treasury (HMT) and the Home Office in preparation of the upcoming mutual evaluation assessment of the UK to be conducted by the FATF.<sup>46</sup> Significant changes to assessment methodology have been introduced since the UK's last successful assessment in 2007. Compliance, as before, will be judged against technical requirements (40 in total although they have changed since 2007). A further separate assessment will be made of the UK's 'effectiveness' in 11 standalone anti-money laundering/countering the financing of terrorism areas called Immediate Outcomes. This change of focus from outputs to outcomes requires the UK to present a more qualitative report to assessors consisting of case studies, narrative and impact assessments linked to relevant data.

It is expected that the UK will report to the FATF in September 2017, with assessors visiting early 2018. This is a very important piece of work for the UK Government and will involve engagement from numerous sectors.

## Fourth EU Money Laundering Directive

The EU takes particular account of the FATF recommendations through directives that member states transpose into national law.<sup>47</sup> The UKFIU worked extensively with HMT and the Home Office on the drafts of the 4<sup>th</sup> EU Money Laundering Directive and supported the work by HMT to transpose the directive into UK law in June 2017.

In response to the new directive the Government revised the existing MLRs with the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017. The new regulations strengthen and build on the existing MLRs 2007 and introduce a number of new requirements on relevant businesses and changes to some obligations.

<sup>46</sup> The FATF conducts peer reviews of each member on an on-going basis to assess levels of implementation of the FATF recommendations, providing an in depth description and analysis of each country's system for preventing criminal abuse of the financial system.

<sup>47</sup> The FATF recommendations are internationally endorsed global standards against money laundering and terrorist financing: they increase transparency and enable countries to successfully take action against illicit use of their financial system.

## Strategy for 2017–2018

Since 2009, the SARs regime and the UKFIU have worked within an agreed strategy. The last two-year strategy was set in 2014 and followed the '4 Ps' framework as articulated in the Government's 2013 Serious and Organised Crime Strategy. These are: Pursue (prosecuting and disrupting); Prevent (preventing people from engaging); Protect (increasing protection) and Prepare (reducing the impact). Some aspects of the previous strategy remain relevant and appropriate and therefore this new strategy retains those, however under a new structure.

The new strategy for 2017-2018 has been shaped to reflect the aspiration of the UKFIU to be a world class FIU, internationally recognised and respected for its role in preventing money laundering and terrorist financing.

In succeeding the previous strategy, the new strategy has been supplemented to take into account changes in the environment impacting on the SARs regime which include the following: the National Risk Assessment, the Home Office and HM Treasury Action Plan for Anti-Money Laundering and Counter-Terrorist Finance, the Criminal Finances Act, the SARs Reform Programme, the 2018 FATF mutual evaluation of the UK, the 4<sup>th</sup> EU AML directive and proposed amendments, the National

Strategic Assessment and the NCA's Economic Crime Command's priorities.<sup>48</sup>

Some of these may have significant impact on the regime and implementation will represent a significant challenge. In this regard it is imperative that all stakeholders are active participants and the members of the SARs Regime Committee have a particularly important role.

Under the new strategy the UKFIU/SARs regime will:

### Our intelligence

- Improve the analysis and exploitation of SARs to identify changes in the economic crime threat so more targeted and sector specific intelligence and Alerts are provided to the private sector and law enforcement agencies.
- Ensure that the SARs database is made directly available to a broad range of law enforcement officers (e.g. via money.web, Arena and Discover) and that it forms a core part of databases used by the NCA and other national agencies.<sup>49</sup>
- Support law enforcement and HM Government efforts to tackle terrorist financing through receipt, analysis and dissemination of SARs in order to contribute to the CONTEST strategy.<sup>50</sup>

<sup>48</sup> The NCA's National Strategic Assessment is the most comprehensive public-facing analysis to date of the serious and organised crime threats affecting the UK. The NSA, and the response to it, is owned by the whole of law enforcement, including police forces and other national agencies and is informed by material gathered from a wide range of organisations, including local government, industry partners, the third sector and international allies.

<sup>49</sup> Discover is a web-based portal that enables NCA officers to exploit the NCA's information more fully and with greater effect; both as intelligence support to general criminal investigations and to deprive criminals of illegally acquired assets.

<sup>50</sup> CONTEST is the UK's strategy for countering terrorism.

- Undertake tactical analysis to identify and fast-track SARs relating to vulnerable members of society, thereby giving law enforcement partners opportunities to prevent fraud or further losses.
- Actively analyse the SARs data in order to identify suitable targets for intelligence development.
- Develop and promote the National Financial Intelligence Centre (NFIC) that will take the lead role for the UK in the collection, analysis and dissemination of economic crime intelligence by bringing together current NCA and NCA-hosted units (UKFIU, Joint Financial Analysis Centre, Joint Money Laundering Intelligence Taskforce, Bribery and Corruption Intelligence Unit, National Intelligence Hub Money Laundering and Economic Crime Threat Desks).<sup>51</sup>
- Continue implementing the new UKFIU process for dealing with DAML SAR requests as the numbers increase, revising where needed, and prioritising for more effective and timely responses by law enforcement partners in investigations and seizing assets.
- Undertake tactical analysis to identify SARs pertaining to subjects of interest for fast-tracking to law enforcement agencies, giving end users more opportunities for intervention and disruption.
- Conduct strategic analysis of SARs data to highlight specific issues to sectors and their supervisors and identifying any significant typologies.

## Our response

- Work closely with law enforcement, regulators and professional bodies to disrupt criminal manipulation of professional enablers.
- Work closely with partners to identify instances of high-end money laundering (HEML) and trade based money laundering (TBML) in SARs intelligence.
- Work with international FIUs and partners to support law enforcement efforts to identify and recover illicit profits from criminals or deny them access to their money and property.

## Our reputation

- Support the NCA and partners to prepare for the UK's FATF mutual evaluation and respond to appropriate requests from partners to assist with information required for the evaluation.
- Support the NCA and partners to prepare for the new Criminal Finances Act and actively assist the implementation of the new powers.
- Support campaigns and projects enabling the public and private sector to prevent individuals/businesses from being drawn into economic crime.

<sup>51</sup> The NCA is an intelligence-led agency driven by a central intelligence hub. This hub provides a single picture of all the threats from serious and organised crime. This collective intelligence directly informs the decisions of the NCA, allowing it to have maximum impact when it comes to fighting crime.

- Support campaigns and projects enabling the public and private sectors to improve their security through the sharing of intelligence and alerts relating to money laundering and terrorist financing threats.

### **Our partnerships**

- Support partners in their effort to identify those involved in terrorist financing to protect individuals and the state from terrorist acts.
- Work with HM Government to prepare and actively assist in implementation of the EU Directive and any amendments.
- Work with HM Government in taking forward the SARs Reform Programme.
- Work with reporters, regulators, supervisors and trade bodies to explore approaches to improve the quality of SARs.

### **Our enablers**

- Recognise the need to work collaboratively, harnessing the professional judgement of those working in industry to assist in the UK's efforts to prevent and disrupt money laundering and terrorist financing in the UK.
- Continue to explore new opportunities to enhance the value of the regime to the anti-money laundering/combatting the financing of terrorism effort, from the data matching of SARs and improving SAR exploitation.

### **Our people**

- Continue to have the right people in the right roles, recognising that the required skills can change and develop over time.
- Develop staff to give them the required skills to perform in their roles and to further themselves as NCA officers.

### **Our technology**

- Continue to work with the Home Office, who have set up a SARs Reform Programme. The NCA has identified that replacement of SARs IT is the most urgent priority under this programme.
- Engage with partners to map both the new architecture of the SARs IT systems and how long the existing components can be supported and at what cost.

# Annexes

## Annex A: The SARs Regime

A Suspicious Activity Report (SAR) is a piece of information which alerts law enforcement that certain client or customer activity is in some way suspicious and might indicate money laundering or terrorist financing.

The UK Financial Intelligence Unit (UKFIU) has national responsibility for receiving, analysing and disseminating financial intelligence submitted through the SARs regime. The submission of SARs is a legislative requirement in relation to anti-money laundering and combating the financing of terrorism. The UKFIU provides the gateway to reporters and a repository of data to inform law enforcement.

The UKFIU – which sits within the NCA but is operationally independent of it – is also the national centre for the exchange of financial intelligence with the global network of financial intelligence units on behalf of law enforcement utilising secure IT networks on a global and EU basis.

SARs are shared through a secure UK IT network, enabling visibility and an analysis capability to review just over two million SARs across 71 different UK law enforcement organisations, that can be used to deliver impact against economic crime threats.

The SARs Regime is supported by a legal framework, primarily contained within the Proceeds of Crime Act 2002 (POCA), as amended by the Serious Organised Crime and Police Act 2005 (SOCPA).

POCA establishes two distinct regimes for the handling of suspicions about criminal funds (ss.330-338). The first requires institutions in the reporting sectors to disclose (as SARs) to the UKFIU any suspicions that arise concerning criminal property or money laundering. The second allows persons and businesses generally, and not just those in the reporting sectors, to request a defence against money laundering (DAML) from the UKFIU to undertake an activity including completing a transaction (a ‘prohibited act’) about which they have concerns.

DAML decisions by the UKFIU are informed by processes which have been designed to ensure they are effective and proportionate, and which feature regular engagement with the reporter and law enforcement at all key stages, as laid out in Home Office guidelines. Similar provisions relating to terrorist financing are contained within the Terrorism Act 2000.

There is no de minimis limit, nor is there a requirement for the report to contain only transaction data. Rather, SARs should contain details of suspicious activity, thus ensuring the widest possible scope for reporting. By submitting a SAR to the UKFIU, a reporter complies with their obligations as required by law.

The SARs regime is also supported by a range of strategies by HM Government and international bodies e.g. the Financial Action Task Force (FATF), designed to protect UK financial institutions and businesses from the threats posed by money launderers and terrorist financiers.

## Annex B: Total SARs by industry sector (2015-2016)

SARs are attributed to the industry or profession the reporter identifies itself as belonging to.

Source Type	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	2015/16
Accountants	323	311	350	304	458	370	390	375	318	313	380	303	4,195
Anonymous	10	6	10	4	11	11	7	3	6	8	6	3	85
Asset management	50	43	35	28	45	40	47	39	31	37	48	36	479
Auction house	0	1	1	2	0	0	0	2	0	2	1	1	10
Banks	29,387	28,375	29,634	29,665	29,011	29,776	30,337	28,022	30,295	27,678	28,607	27,901	348,688
Barristers	1	1	0	0	1	1	1	0	0	0	0	0	5
Bookmaker	49	27	45	31	64	65	144	104	98	81	68	75	851
Building societies	1,283	1,535	1,433	1,077	1,234	1,300	1,212	1,255	1,216	949	1,411	1,173	15,078
Bureau de change	199	212	229	245	289	295	253	251	383	276	261	270	3,163
Capital markets	9	9	3	3	8	5	8	4	7	5	8	8	77
Charity	3	3	4	4	4	4	3	0	3	3	3	8	42
Cheque cashers	7	43	16	47	8	4	22	14	6	46	48	6	267
Clearing house	0	1	1	0	0	1	0	0	0	1	0	0	4
Consumer credit	161	97	66	105	68	96	186	117	156	84	44	60	1,240
Credit card	490	421	358	364	393	414	362	422	423	475	523	444	5,089
Credit union	65	52	13	41	65	48	115	104	76	64	62	101	806
Education	0	0	1	4	2	0	0	1	0	2	0	0	10
Electronic payment	631	1,359	847	461	711	797	844	855	818	833	801	820	9,777
Estate agents	39	54	42	26	32	37	67	41	54	36	42	44	514
Finance company	519	450	434	486	421	536	599	591	594	545	410	357	5,942
Friendly society	0	0	0	1	7	2	0	1	0	1	0	1	13
Gaming	111	98	87	147	115	131	129	166	121	113	95	143	1,456
Government	406	285	219	235	326	330	396	367	443	331	417	369	4,124
High value dealers	4	5	3	3	7	4	3	6	4	5	4	0	48
Independent financial advisers	0	0	0	0	0	1	0	0	1	0	1	0	3
Insurance	74	97	108	77	137	92	102	95	72	76	60	68	1,058
Investment exchange	3	1	1	0	0	0	2	0	1	0	0	0	8

Source Type	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	2015/16
IT	0	3	0	0	2	0	2	0	0	0	1	0	8
Legal other	19	24	29	17	34	24	14	17	20	16	17	19	250
Leisure	40	34	19	11	0	0	0	1	2	0	1	0	108
Licensed conveyancers	6	5	12	14	15	9	6	7	9	8	12	9	112
Local authorities	8	6	11	4	7	7	5	8	11	1	17	3	88
Manufacturer	0	0	0	0	1	2	1	1	1	0	3	4	13
Markets & exchanges	0	0	1	2	0	0	0	0	0	2	0	0	5
Money transmission	561	562	599	478	481	698	487	510	606	617	519	543	6,661
Mortgage provider	22	12	16	10	9	15	16	12	3	12	11	7	145
Motor organisation	10	6	7	4	11	6	1	9	13	6	11	10	94
Other	145	134	120	120	122	141	155	113	139	109	139	152	1,589
Other entities regulated by FCA	253	182	151	182	178	189	184	216	227	186	144	212	2,304
Pension provider	2	16	2	5	1	6	1	3	4	0	0	1	41
Private individual	9	9	10	11	7	10	12	15	14	12	9	11	129
Regulators	23	17	22	13	8	13	13	18	12	12	8	7	166
Retail intermediary	22	45	43	34	33	31	35	45	43	23	32	20	406
Security	2	7	1	2	4	2	0	10	2	0	1	3	34
Solicitors	290	320	262	249	255	274	231	255	244	270	213	222	3,085
Specialist financial services	8	5	9	11	7	11	10	7	8	12	17	11	116
Spread betting	31	28	38	73	62	55	27	59	81	74	59	52	639
Stockbrokers	26	31	15	15	12	14	22	14	7	6	9	34	205
Tax advisers	11	5	6	4	7	3	5	4	5	4	4	1	59
Trust or company service providers	10	3	10	6	5	6	3	6	2	8	9	6	74
Unknown	3	3	13	15	3	8	4	8	10	6	12	3	88
<b>Total</b>	<b>35,325</b>	<b>34,943</b>	<b>35,336</b>	<b>34,640</b>	<b>34,681</b>	<b>35,884</b>	<b>36,463</b>	<b>34,173</b>	<b>36,589</b>	<b>33,348</b>	<b>34,548</b>	<b>33,521</b>	<b>419,451</b>

## Annex C: Total SARs by industry sector (to April 2017)

SARs are attributed to the industry or profession the reporter identifies itself as belonging to.

Source Type	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Six month figure
Accountants	330	410	357	353	497	455	2,402
Anonymous	6	2	6	5	12	8	39
Asset management	28	38	51	34	34	45	230
Auction house	0	0	0	0	2	1	3
Banks	26,106	26,967	27,239	30,273	30,337	35,751	176,673
Barristers	0	0	1	0	0	0	1
Bookmaker	70	92	113	87	72	97	531
Building societies	1,213	1,403	734	1,148	1,167	1,580	7,245
Bureau de change	380	351	433	372	382	471	2,389
Capital markets	6	7	19	5	5	14	56
Charity	10	1	2	1	0	7	21
Cheque cashers	23	113	32	92	89	75	424
Clearing house	0	1	0	0	0	2	3
Consumer credit	87	43	51	84	57	64	386
Credit card	417	431	344	522	362	480	2,556
Credit union	49	66	52	71	75	102	415
Education	0	1	1	0	2	1	5
Electronic payment	1,088	1,121	1,123	1,089	1,141	1,075	6,637
Estate agents	49	43	31	38	51	40	252
Finance company	507	464	342	448	463	469	2,693
Friendly society	1	1	0	0	1	1	4
Gaming	105	111	127	77	146	93	659
Government	356	333	226	211	305	454	1,885
High value dealers	4	3	0	4	2	10	23
Independent financial advisers	1	0	0	0	0	0	1
Insurance	72	88	53	68	60	145	486
Investment exchange	3	1	0	0	0	1	5



Source Type	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Six month figure
IT	0	1	1	0	1	2	5
Legal other	17	14	16	18	21	22	108
Leisure	0	0	0	0	0	0	0
Licensed conveyancers	5	6	3	5	6	7	32
Local authorities	4	5	4	14	8	10	45
Manufacturer	0	0	1	1	0	3	5
Markets & exchanges	0	2	2	0	1	0	5
Money transmission	518	485	586	569	736	906	3,800
Mortgage provider	13	13	5	5	8	10	54
Motor organisation	18	19	10	11	13	16	87
Other	156	177	154	134	158	205	984
Other entities regulated by FCA	211	272	198	170	229	239	1,319
Pension provider	2	4	2	4	12	8	32
Private individual	10	5	6	4	7	1	33
Regulators	14	12	17	10	14	27	94
Retail intermediary	34	36	37	16	38	36	197
Security	1	8	1	4	4	3	21
Solicitors	221	235	197	193	188	257	1,291
Specialist financial services	10	11	16	6	3	9	55
Spread betting	25	35	35	31	34	48	208
Stockbrokers	16	33	25	17	25	33	149
Tax advisers	3	8	18	5	2	1	37
Trust or company service providers	4	5	10	8	7	4	38
Unknown	3	19	4	5	6	2	39
<b>Total</b>	<b>32,196</b>	<b>33,496</b>	<b>32,685</b>	<b>36,212</b>	<b>36,783</b>	<b>43,290</b>	<b>214,662</b>

## Annex D: DAML SARs by industry sector (2015-2016)

SARs are attributed to the industry or profession the reporter identifies itself as belonging to.

Source Type	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	2015/16
Accountants	24	18	25	13	12	25	15	19	9	22	19	12	213
Anonymous	0	0	0	0	1	0	0	0	0	2	0	0	3
Asset management	26	12	11	11	12	17	18	17	14	16	17	17	188
Auction house	0	0	0	1	0	0	0	1	0	1	0	1	4
Banks	901	966	778	843	991	904	921	945	914	907	956	840	10,866
Barristers	0	1	0	0	1	1	0	0	0	0	0	0	3
Bookmaker	4	2	10	1	2	10	5	7	12	4	4	9	70
Building societies	16	23	17	20	18	28	20	6	25	34	14	16	237
Bureau de change	8	14	6	2	11	4	14	6	16	11	4	10	106
Capital markets	0	2	1	0	0	0	0	1	0	1	0	1	6
Charity	2	2	1	1	1	2	1	0	0	0	0	4	14
Cheque cashers	0	0	0	0	0	0	0	0	1	0	0	0	1
Clearing house	0	0	0	0	0	0	0	0	0	1	0	0	1
Consumer credit	0	2	2	0	1	3	0	0	0	2	2	0	12
Credit card	10	6	3	3	4	3	8	5	3	2	5	3	55
Credit union	0	0	2	1	1	0	2	1	0	0	0	1	8
Education	0	0	1	4	2	0	0	1	0	0	0	0	8
Electronic payment	70	35	40	55	94	70	90	50	96	82	66	82	830
Estate agents	13	20	18	7	13	20	24	17	24	14	13	22	205
Finance company	25	24	23	25	14	20	33	21	28	21	37	18	289
Friendly society	0	0	0	1	2	1	0	1	0	1	0	1	7
Gaming	17	5	12	14	17	18	7	14	15	15	21	11	166
Government	0	0	0	0	0	0	1	1	1	1	4	1	9
High value dealers	0	0	0	2	5	2	1	0	0	2	1	0	13
Independent financial advisers	0	0	0	0	0	0	0	0	0	0	1	0	1
Insurance	15	15	22	17	26	22	9	19	15	12	17	11	200
Investment exchange	2	1	1	0	0	0	1	0	0	0	0	0	5

Source Type	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	2015/16
IT	0	0	0	0	0	0	0	0	0	0	0	0	0
Legal other	11	17	20	9	20	18	7	12	10	12	11	12	159
Leisure	1	2	0	1	0	0	0	0	0	0	1	0	5
Licensed conveyancers	5	4	11	12	12	8	5	4	8	6	11	8	94
Local authorities	6	1	6	3	4	6	2	3	6	0	9	1	47
Manufacturer	0	0	0	0	1	1	1	1	0	0	1	4	9
Markets & exchanges	0	0	0	1	0	0	0	0	0	0	0	0	1
Money transmission	30	29	18	9	17	15	14	12	12	24	36	20	236
Mortgage provider	9	7	7	5	6	7	8	7	0	7	2	4	69
Motor organisation	4	0	0	1	1	1	0	0	1	1	2	5	16
Other	43	35	44	38	29	30	56	31	40	29	39	35	449
Other entities regulated by FCA	69	42	21	41	34	32	30	53	73	64	35	49	543
Pension provider	1	6	1	2	1	4	0	1	1	0	0	1	18
Private individual	1	0	0	0	0	0	0	0	0	1	0	0	2
Regulators	1	0	0	0	0	0	0	1	0	0	0	0	2
Retail intermediary	2	9	2	2	3	0	1	2	5	3	4	1	34
Security	0	0	0	0	0	1	0	1	0	0	0	0	2
Solicitors	210	258	196	200	198	208	177	184	194	217	161	166	2,369
Specialist financial services	1	0	2	4	0	1	0	0	1	1	0	1	11
Spread betting	29	13	27	59	37	43	15	50	69	61	48	43	494
Stockbrokers	10	14	7	6	3	6	12	5	5	4	5	10	87
Tax advisers	1	0	0	1	0	0	0	1	0	1	0	0	4
Trust or company service providers	2	1	2	0	0	0	0	0	0	1	1	2	9
Unknown	1	1	3	4	1	2	0	1	3	0	2	0	18
<b>Total</b>	<b>1,570</b>	<b>1,587</b>	<b>1,340</b>	<b>1,419</b>	<b>1,595</b>	<b>1,533</b>	<b>1,498</b>	<b>1,501</b>	<b>1,601</b>	<b>1,583</b>	<b>1,549</b>	<b>1,422</b>	<b>18,198</b>

## Annex E: DAML SARs by industry sector (to April 2017)

SARs are attributed to the industry or profession the reporter identifies itself as belonging to.

Source Type	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Six month figure
Accountants	15	10	20	21	20	23	109
Anonymous	0	0	0	0	0	0	0
Asset management	12	18	25	23	19	20	117
Auction house	0	0	0	0	1	1	2
Banks	967	930	726	821	849	1,130	5,423
Barristers	0	0	0	0	0	0	0
Bookmaker	4	5	11	8	5	10	43
Building societies	18	30	23	32	17	28	148
Bureau de change	3	5	3	0	3	3	17
Capital markets	0	2	4	0	0	0	6
Charity	2	0	0	1	0	2	5
Cheque cashers	0	0	0	0	0	0	0
Clearing house	0	0	0	0	0	1	1
Consumer credit	0	0	0	3	8	6	17
Credit card	1	5	2	4	3	5	20
Credit union	1	1	1	1	0	0	4
Education	0	1	1	0	1	0	3
Electronic payment	77	103	159	230	123	247	939
Estate agents	21	14	10	9	12	15	81
Finance company	21	12	21	32	24	53	163
Friendly society	1	1	0	0	1	1	4
Gaming	11	18	15	8	13	14	79
Government	0	0	0	2	0	1	3
High value dealers	1	1	0	0	0	3	5
Independent financial advisers	0	0	0	0	0	0	0
Insurance	10	15	7	16	13	20	81
Investment exchange	2	1	0	0	0	0	3

Source Type	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Six month figure
IT	0	1	0	0	0	0	1
Legal other	6	11	11	12	15	13	68
Leisure	0	0	0	0	0	0	0
Licensed conveyancers	4	6	1	4	5	4	24
Local authorities	2	3	3	9	4	4	25
Manufacturer	0	0	0	0	0	2	2
Markets & exchanges	0	2	1	0	0	0	3
Money transmission	39	48	56	18	45	42	248
Mortgage provider	8	4	2	2	4	4	24
Motor organisation	10	10	3	2	3	5	33
Other	53	53	44	35	53	66	304
Other entities regulated by FCA	92	117	53	72	96	69	499
Pension provider	1	3	0	1	1	0	6
Private individual	0	0	0	1	1	0	2
Regulators	1	0	0	0	0	0	1
Retail intermediary	0	2	3	0	2	2	9
Security	0	0	0	0	0	0	0
Solicitors	163	173	144	139	124	196	939
Specialist financial services	0	2	2	0	0	0	4
Spread betting	18	24	23	25	19	40	149
Stockbrokers	8	10	12	9	13	18	70
Tax advisers	1	0	0	0	0	0	1
Trust or company service providers	0	0	0	0	0	0	0
Unknown	2	3	1	2	2	0	10
<b>Total</b>	<b>1,575</b>	<b>1,644</b>	<b>1,387</b>	<b>1,542</b>	<b>1,499</b>	<b>2,048</b>	<b>9,695</b>

## Annex F: Terrorist finance SARs by industry sector

SARs solely disseminated to the National Terrorist Financial Investigation Unit (NTFIU) and Counter Terrorism Units (CTUs) from October 2015 to the end of March 2017 by source type.

Source Type	Number of SARs disseminated to NTFIU/CTUs from October 2015 to September 2016	As a percentage of all terrorist finance SARs in this period	Number of SARs disseminated to NTFIU/CTUs from October 2016 to March 2017	As a percentage of all terrorist finance SARs in this period
Accountant/accountancy service provider	10	0.71%	0	0.00%
Anonymous	3	0.21%	2	0.33%
Asset management	3	0.21%	1	0.16%
Banking	1,008	71.29%	474	77.45%
Building society	50	3.54%	31	5.07%
Bureau de change	19	1.34%	5	0.82%
Charity	2	0.14%	0	0.00%
Cheque casher	4	0.28%	0	0.00%
Company formation	2	0.14%	0	0.00%
Consumer credit	9	0.64%	2	0.33%
Credit card	16	1.13%	1	0.16%
Credit union	0	0.00%	1	0.16%
Electronic payment	40	2.84%	12	1.96%
Estate agent	5	0.35%	2	0.33%
Finance company	16	1.13%	4	0.65%
Gaming/leisure	12	0.85%	7	1.14%
Government	1	0.07%	0	0.00%
High value dealers	1	0.07%	0	0.00%
Insurance	23	1.63%	7	1.14%
Legal other	0	0.00%	1	0.16%
Money transmission	117	8.27%	40	6.55%
Other	21	1.49%	8	1.31%
Other entities regulated by the FCA	16	1.13%	6	0.98%
Pension provider	0	0.00%	1	0.16%
Regulator	1	0.07%	0	0.00%
Retail intermediary	3	0.21%	0	0.00%
Solicitor	30	2.12%	3	0.49%
Specialist financial service	0	0.00%	1	0.16%
Spread betting	1	0.07%	3	0.49%
Stockbroker	1	0.07%	0	0.00%
<b>Total</b>	<b>1,414</b>	<b>100%</b>	<b>612</b>	<b>100%</b>

## Annex G: Membership of the SARs Regime Committee<sup>52</sup>

- NCA Director (ECC)
- Association of UK Payment Institutions
- British Bankers' Association
- Building Societies Association
- Consultative Committee of Accountancy Bodies
- England and Wales Police Lead for Proceeds of Crime
- Financial Conduct Authority
- Gambling Anti-Money Laundering Group
- Gambling Commission
- HM Revenue & Customs – AML Supervision/Regulation
- HM Revenue & Customs – Criminal Investigation
- HM Treasury
- Home Office
- Law Society for England and Wales
- Metropolitan Police Service Lead for Proceeds of Crime
- National Crime Agency (Head of UKFIU)
- National Terrorist Financial Investigation Unit
- Police Scotland Lead for Proceeds of Crime
- Police Service of Northern Ireland Lead for Proceeds of Crime
- Royal Institute of Chartered Surveyors
- Solicitors Regulation Authority

<sup>52</sup> Membership as of 31 March 2017.

## Annex H: Current end users with 'direct' access<sup>53</sup>

Police forces		Multi agency teams and other agencies
Avon & Somerset	Merseyside	Eastern Region Special Operations Unit
Bedfordshire	Metropolitan Police Service	East Midlands RART
British Transport Police	Ministry of Defence Police	London RART
Cambridgeshire	Norfolk	North East RART
Cheshire	Northamptonshire	North West RART
City of London	Northumbria	South East RART
Cleveland	North Wales	South West RART
Cumbria	North Yorkshire	Wales RART
Derbyshire	Nottinghamshire	West Midlands RART
Devon & Cornwall	Police Scotland	Crown Office, Civil Recovery Unit, Scotland
Dorset	Police Service of Northern Ireland	Department for Business, Energy and Industrial Strategy
Durham	South Wales	Department for Environment, Food and Rural Affairs
Dyfed-Powys	South Yorkshire	Department for Work and Pensions
Essex	Staffordshire	Environment Agency
Gloucestershire	Suffolk	Financial Conduct Authority
Greater Manchester	Surrey	Gambling Commission
Gwent	Sussex	HM Revenue & Customs
Hampshire	Thames Valley	Home Office
Hertfordshire	Warwickshire	National Crime Agency
Humberside	West Mercia	National Port Analysis Centre
Kent	West Midlands	NHS Protect
Lancashire	West Yorkshire	Northern Ireland Department for Social Development
Leicestershire	Wiltshire	Northern Ireland Environment Agency
Lincolnshire		Serious Fraud Office

<sup>53</sup> This involves using computer technology to afford direct access to Elmer e.g. via money.web and/or Arena. Access is governed by strict criteria set by the UKFIU. This list is accurate as of 31 March 2017.